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Austria ... Sch. 20	Indonesia ... Rp 3100	Philippines ... Pes. 20
Bahrain ... Din 0.650	Israel ... IS 3.50	Portugal ... Esc 100
Belgium ... BFr 45	Italy ... L 1800	S. Arabia ... Rls 6.00
Canada ... C$1.00	Japan ... Y600	Singapore ... S$ 4.10
Cyprus ... C£0.75	Jordan ... Fils 500	Spain ... Pta 125
Denmark ... DKr 9.00	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Egypt ... E£1.50	Lebanon ... £1 50.00	Sweden ... SKr 8.00
Finland ... Fmk 7.00	Luxembourg ... LFr 45	Switzerland ... SFr 2.20
France ... FFr 6.50	Malaysia ... Rin 4.25	Taiwan ... NT $65
Germany ... DM 2.20	Mexico ... Pes. 300	Tunisia ... Din 0.800
Greece ... Dr 80	Morocco ... Dh 6.00	Turkey ... L 350
Hong Kong ... HK$ 12	Netherlands ... Fl 3.00	U.A.E. ... Dh 6.50
India ... Rup 15	Norway ... Nkr 7.00	U.S.A. ... $1.00

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,188 Thursday March 19 1987 D 8523 B

Aquino's dangerous allies against communism, Page 18

World news

Senate blocks bid to halt Contra aid

THE US Senate yesterday narrowly defeated a move to stop $40m in American military aid to the Nicaraguan Contra rebels.

The 52–48 vote highlights deep divisions within the US congress on American involvement in Nicaragua.

The House of Representatives voted last week to block the $40m of aid – part of a $100m package approved last year by Congress – in a largely symbolic show of disapproval of the Reagan Administration's Contra policy. The House vote was symbolic because the Democrat controlled Congress has too few votes to override a Presidential veto of moves to block existing military aid.

The crucial test for the Administration comes in September when Congress votes on a $105 million second round of US funding of the Contras.

Deaver indicted

Michael Deaver, former White House aide and close friend of first lady Nancy Reagan, was indicted by a federal grand jury on perjury charges for allegedly lying under oath about his lobbying activities.

Hostage fears

French fears over the fate of the French hostage under sentence of death in Beirut deepened with the publication of a statement by his captors stiffening the terms for his release.

Iran 'holds Waite'

Missing Anglican church envoy Terry Waite is being held in the Iranian embassy in west Beirut, said Soviet magazine Literaturnaya Gazeta, which has accused him of involvement in arranging arms shipments to Iran.

Macao 'breakthrough'

Chinese and Portuguese officials hinted strongly at a breakthrough in talks on turning over the Portuguese-run territory of Macao to China.

Funeral restrictions

South Africa imposed severe restrictions on funerals in an area of Natal province where seven schoolchildren were massacred in apparent internecine violence within the black community.

Sri Lanka clash

Five members of the Liberation Tigers of Tamil Eelam separatist group were killed by a rival rebel group in the eastern jungles of Sri Lanka, a Government spokesman said.

Spanish unrest

Widespread labour protests against economic austerity policies continued with rail traffic disrupted and the Spanish Government warning it would deal firmly with violence at demonstrations.

European poll

Two out of three EEC citizens are broadly in favour of the Community developing into a "United States of Europe." Almost half would entrust a European government with responsibility for the economy, foreign affairs and defence within the next 20 years. Page 18

Turkish protest

Some 5,000 members of the oil workers' union, Petrol-Is, went on strike as Turkish trade unionists opened a protest campaign over what they regard as an anti-worker stance by the Government.

Press restrictions

The Indonesian Government has announced new restrictions on foreign journalists in an apparent bid to limit coverage of next month's national elections.

Business summary

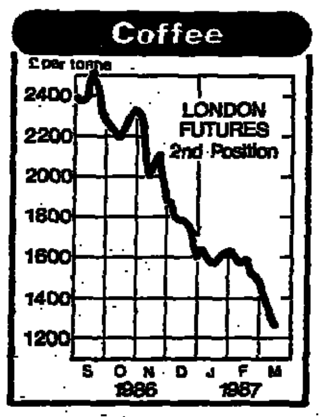
CGE set for record issue of equity

CGE, French nationalised telecommunications and heavy engineering group, is planning to launch the largest ever new equity issue on the French market to coincide with its privatisation early next May. Page 18

WALL STREET: The Dow Jones industrial average closed up 2.13 at 2,286.93. Page 42

LONDON: Financial markets responded to the prudent tone of the budget with good gains among gilts but a tempered reaction from equities. The FT-SE 100 index edged up 0.3 to a new peak of 2,006.6 while the FT Ordinary added 2.6 to 1,589.5. Details, Page 38

TOKYO: Buying interest in large-capital stocks gathered momentum, sending share prices to yet another all-time high. The Nikkei average gained 190.33 to a record 21,705.06. Page 42



COFFEE prices fell in London with "disenchantment" reported among dealers. The May position closed £16.50 off at £1,264.50 a tonne, the lowest finish for 5½ years. Page 30

GOLD fell on the London bullion market to close at $404.50 ($405.0). It also fell in Zurich to $404.50 ($406.50). Page 34

DOLLAR fell in London to DM 1.8365 (DM 1.8395); to FFr 6.11 (FFr 6.12); to SFr 1.5380 (SFr 1.5385); and to Y151.90 (Y151.95). The dollar's exchange rate index rose 0.1 to 103.3. Page 35

STERLING rose in London to $1.6060 ($1.5990); to DM 2.95 (DM 2.94); to FFr 9.8125 (FFr 9.7850); to SFr 2.47 (SFr 2.46); and to Y244 (Y243). The pound's exchange rate index rose 0.5 to 72.6. Page 35

US ECONOMY grew at a sluggish 1.1 per cent in the last quarter of 1986. Page 5

MR DONALD BROOKS, president of Fairchild Semiconductor, the US semiconductor manufacturer, announced plans which could lead to a management buyout of the company following the cancellation of merger proposals by Fujitsu. Page 19

GENCORP, Ohio conglomerate formerly known as General Tire & Rubber which has been severely hampered by legal problems in its broadcasting subsidiary, faces a $2.2bn bid from a partnership of Californian and Texan investors. Page 19

BRITISH Government announced that it would sell its remaining 32 per cent stake in British Petroleum, valued at more than £4.8bn ($7.2bn). Page 18

FLEET Financial Group and Norstar Bancorp of the US are to be combined in what the companies say is the biggest ever US bank merger with a deal worth $1.3bn.

CATHAY PACIFIC Airways, Hong Kong-based airline controlled by Britain's Swire group, reported a 59 per cent increase in profits for 1986 largely as a result of lower fuel costs. Page 23

MODO, a leading Swedish pulp and paper group, suffered a fall of 7.8 per cent in operating profits last year, largely as a result of a steep fall in the earnings of its pulp operations. Page 19

SUPERFOS, Danish fertiliser, agro-industrial and packaging group, made a net loss of DKr 306m ($44.3m) in 1986, against DKr 11m profit in 1985. Page 29

American Express to switch $100m Mexican debt into hotel stake

BY STEPHEN FIDLER IN LONDON

AMERICAN EXPRESS Bank, the banking subsidiary of the US financial services and travel concern, said yesterday it had signed a deal to convert $100m of its own loans to Mexico into an equity stake in hotel projects in the country.

It is the first time that a US bank has announced a debt-for-equity deal of such size involving its own exposure to Mexico, and seems likely to bring up a number of important regulatory issues in the US.

The US authorities have generally supported such arrangements, but there are limits on the permissible size of US banks' investment in non-financial companies and accounting questions as to how the equity should be treated on the banks' balance sheets.

American Express said the investment in new luxury hotels around the country would be made jointly with the Mexican Government and private business groups in Mexico.

The $100m will be converted into peso equity when needed over the next two years, through the company's International Capital Corporation subsidiary.

Conversions into pesos will be made under guidelines laid down by Mexico in August, but American Express officials declined to be specific on how the loans would be valued.

American Express had $632m of loans outstanding to Mexico at the end of last year and the $100m to be converted was part of a larger syndicated loan made directly to the Mexican Government.

The hotel project will involve building about 3,000 rooms in four cities. Three international hotel chains, Sheraton, Hilton International and Club Mediterranée, will operate the hotels.

Mexican officials believe the project will attract 250,000 tourists, create 15,000 jobs and lead to annual foreign exchange gains of $80m.

Mr James Robinson, American Express chairman and chief executive, said he believed such deals "should make important contributions to the prosperity of Mexico."

Debt-to-equity swaps have been used, particularly in Mexico and Chile, as part of a search for alternative ways of handling the region's debt problems.

Although quite sizeable deals have been done, debt conversion is generally seen as a useful way of reducing countries debt burdens, but not as an overall solution to the debt problem.

In Mexico, debt-to-equity conversions got under way in mid-1986 and have been proceeding at a rate of about $100m a month. Many of the larger deals have been done with car companies, such as Volkswagen and Nissan, and have been used to finance domestic Mexican operations.

Mexico had expressed reservations about large-scale debt-for-equity conversions, citing concern about the impact on its domestic money supply and the possibility that such swaps might inhibit other types of investment in the country.

A Mexican official said in New York last week that the scheme had been temporarily suspended to cope with a flood of applications, although bankers saw the move as an attempt to put pressure on them to join a new $7.7bn loan to the country.

Signing of the new loan, which Mexican officials say is more than 98 per cent subscribed, is due to start on Friday in New York.

Capital markets, page 22; Mexican discontent, Page 5

Limited immunity sought for Irangate witnesses

BY LIONEL BARBER IN WASHINGTON

THE TWO congressional select committees investigating the Iran arms scandal yesterday announced a joint accord which would grant limited immunity to President Ronald Reagan's former National Security Adviser Rear Admiral John Poindexter and the sacked White House Aide, Lt Col Oliver North.

The immunity accord is aimed at protecting the separate criminal investigation led by Mr Lawrence Walsh, the court-appointed special prosecutor and does not prevent criminal charges being brought against either man.

The House and Senate Panels, which are to begin joint public hearings on May 5, are to unify their separate investigations in order to speed the congressional inquiry into the affair.

Under a complex arrangement, the two committees agreed to vote to apply for limited immunity for Mr Poindexter in mid-April, which would allow him to give private testimony in early May and public testimony in Mid-June.

But they elected to delay voting on applying for immunity to Lt Col North until June 15 at the earliest. This allows the committees to gather as much information as possible on Lt Col North's controversial role in diverting profits from secret US arms sales to Iran to the Nicaraguan Contra rebels. In the last resort, if a great deal of incriminating evidence were found, it could mean that immunity would be withheld.

Congressional investigators see Mr Poindexter as a crucial witness in the affair, able to testify on President Reagan's role and knowledge about the diversion of funds. But Mr Poindexter, like Lt Col North, has invoked his Fifth Amendment rights against self-incrimination and refused to testify before Congress.

Unconfirmed reports yesterday said that Maj Gen Richard Secord, a business associate of Lt Col North in the Iran affair, would be charged with contempt for failing to hand over bank records to the committee. Separately, the New York Times, said that several million dollars from the arms sales to Iran found its way – via a middleman Mr Manuchir Ghorbanifar – to top Iranian Government officials and to the kidnappers of American hostages in Lebanon.

The Times, quoting Administration officials, said that as much as $6m went to Mr Hashemi Rafsanjani, speaker of the Iranian Parliament, and his family.

President Reagan is due to give a televised news conference tonight, his first for four months, when he will be questioned closely on the affair.

Congressman Lee Hamilton, chairman of the House Select Committee, said that the hearings would be broken into three phases: aid to the Contras, the Iran arms sales policy, and "an attempt to assign responsibility."

Senator Daniel Inouye of Hawaii, chairman of the Senate Committee, said that he hoped a joint report could be written by both panels.

Under the agreement, Mr Lawrence Walsh has in effect been granted his wish for a delay of 90 days before an offer of immunity was given to either Mr Poindexter or Col North. If immunity is granted to a witness giving testimony, then the testimony cannot be used against that person by a special prosecutor. But it can be used against third parties, Republican committee members said yesterday.

Brussels presses ahead with legal action against airlines

BY TIM DICKSON IN BRUSSELS

THE European Commission decided yesterday to pursue its legal action against Lufthansa, Alitalia, and Olympic Airways, the national airlines of West Germany, Italy and Greece respectively, over alleged infringement of EEC competition rules.

The decision, which is likely to send shock waves through the European airline industry, marks a significant stepping up of the Commission's attack on the deep-rooted EEC airline cartels.

EEC Commissioners, meeting in Brussels yesterday, decided to issue so-called "reasoned decisions" – documents spelling out which airline practices are in contravention of the competition rules of the Treaty of Rome.

This action, a step in EEC legal proceedings, will render such agreements and practices null and void under EEC law and, as the Commission said yesterday, "require the companies concerned to bring their infringements to an end."

If the airlines fail to comply, any interested party in the EEC, including the Commission, could then take an offender to the European Court or a national court.

Yesterday's development was generally seen as a victory for Mr Peter Sutherland, the EEC's Competition Commissioner, who has spearheaded the Brussels campaign. Significantly, however, some of his fellow Commissioners insisted that the "reasoned decisions" should not be sent to the airlines for three weeks "in order to allow a last opportunity" for them to enter serious negotiations.

Yesterday's development was carefully calculated to renew the pressure on EEC transport ministers, who meet in Brussels next Monday, to continue their search for a political deal on the liberalisation of air transport.

The proposals currently on the negotiating table, however, are seen by many as a retreat even from the relatively unambitious ideas for more cheap fares, more competition, and fewer bilateral capacity sharing deals

Conscious of the apparent slowing of the political momentum, the Commission also agreed yesterday to withdraw its proposals for a "block exemption" unless the Council between now and 30 June "reaches acceptable conclusions consistent with the proposals made by the Commission in July 1986."Such an exemption designed to protect inter-airline agreements against the full force of EEC competition law, would be an essential guid pro quo for any ministerial accord.

Flights row, Page 6

Britain shifts policy towards steady sterling

BY JANET BUSH AND PHILIP STEPHENS IN LONDON

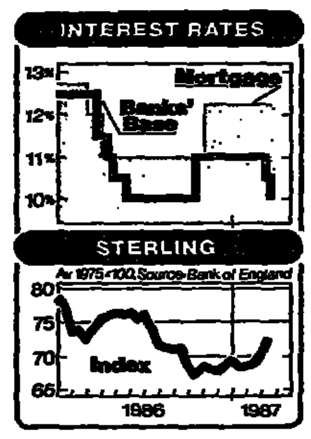
MR NIGEL Lawson, the British Chancellor of the Exchequer, yesterday indicated that he wanted to hold the value of sterling at close to its present levels, confirming a significant shift in recent weeks in Government policy towards the exchange rate.

Speaking in London as the leading banks responded to Tuesday's budget with a ½ percentage point cut in base rates to 10 per cent, he hinted at the possibility of a further reduction in borrowing costs in coming weeks. For the time being, however, he was adopting a cautious approach.

Mr Lawson, who cut the basic rate of tax by 2p to 27p on Tuesday, re-affirmed his eventual aim of a 25p rate. This year, however, the combination of tax cuts and a much lower borrowing target had been the right economic and political balance. It had left open the Prime Minister Mrs Margaret Thatcher's options for either a summer or an autumn general election.

The pound yesterday rose to its highest close against the US dollar since January, 1983, at $1.6060 compared with Tuesday's closing $1.5990. The Bank of England's trade weighted sterling index closed sharply higher at 72.6 from Tuesday's closing 72.1.

Money market interest rates yesterday started discounting a further cut in interest rates. The three-month interbank rate ended at 9⅝ per cent.



Mr Lawson said that he was "perfectly content with the present level of the exchange rate," and suggested that the authorities would oppose increases as well as falls in the pound's value against other currencies.

The need to maintain a tactical edge in the foreign exchange markets dictated that in public at least the Treasury should not be too precise about its objectives, Mr Lawson said.

He left open the possibility, however, that the Treasury has established unpublished target ranges for the pound against the dollar and

Continued on Page 18

Editorial comment, page 16; budget aftermath, Page 17; Lex, Page 18; money markets, Page 31

Morgan to pay former executives £562,000

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

MORGAN GRENFELL, the merchant bank at the centre of the Guinness controversy, is to pay a total of £562,000 ($890,000) to two of its top executives who were forced to resign because of the affair.

They are Mr Christopher Reeves, the chief executive, and Mr Graham Walsh, head of the corporate finance department, both of whom left the bank in January after accepting responsibility for Morgan's involvement with Guinness. The sum represents 18 months earnings for the two men, though the proportion in which they will share it was not disclosed.

Lord Catto, Morgan's chairman, said yesterday that the money was being paid in compensation for loss of office. Their resignations, he said, "were a very real loss to Morgan Grenfell."

Lord Catto also disclosed that Morgan was negotiating compensation for Mr Roger Seelig, the corporate finance director who resigned after breaching Morgan's rules in his handling of Guinness' £2.5bn bid for the Distillers Company. The sum Mr Seelig will receive has not yet been agreed.

The compensation disclosures were made as Morgan reported lower-than-expected profits for 1986, partly as a result of its dealings on Guinness' behalf.

Pre-tax profits of £82.2m were up nearly 20 per cent on 1985 but were below forecasts of £90m. Mr David Ewart, the director responsible for group finance, said that Morgan had sustained a loss on its holding of 7m Guinness shares which it bought to aid the brewer in its bid for Distillers.

Morgan also lost money on its US arbitrage dealings because of the effects of the Ivan Boesky affair.

Lex, Page 18; Traumatic times, Page 24

Kohl says Bonn is receptive to Moscow approach

By Peter Bruce in Bonn

CHANCELLOR Helmut Kohl of West Germany said in an important political declaration yesterday that his Government, which has begun pressing this year for a new superpower summit meeting, accepted Mr Mikhail Gorbachev's talk of "new thinking" in Soviet foreign policy.

Mr Kohl, who was presenting his new Government's political programme to the Bundestag, said of the Soviet leader: "We take him at his word." The remark places him firmly on the side of his Foreign Minister, Mr Hans Dietrich Genscher, and is likely to annoy the US Government.

The statement will propably go a long way, too, towards ending a serious political rupture between Bonn and Moscow caused by a comparison the West German leader made in an interview last year between the public relations skills of Mr Gorbachev and Josef Goebbels, the Nazi propaganda chief.

He said east-west relations were on the move again, Bonn welcomed a planned meeting between Mr George Shultz, the US Secretary of State, and Soviet foreign minister Eduard Shevardnaze "and (we) advocate a new summit meeting during this year" he said.

Mr Kohl's comments are also a major political victory for Mr Genscher, whose Free Democrat (FDP) party did well in the January general election despite (or prehaps because of) constant attacks on his handling of foreign policy by right wingers in Mr Kohl's coalition. Soon after the election Mr Genscher called on the West to pay Mr Gorbachev's reforming zeal greater heed.

Although Mr Kohl said he hoped the US and the Soviet Union would be able to reach agreement on the removal of intermediate-range nuclear missiles from Europe "quickly," he repeated western European concern about Soviet short-range missiles that might remain.

"The federal government therefore expects," he said, "that both world powers clearly and bindingly commit themselves to immediate follow-on negotiations on (short-range) systems."

Mr Kohl, who narrowly failed to break former Chancellor Helmut Schmidt's record for a 164-minute government declaration (given at the start of each new parliament), will probably have also irritated the US by pressing for a nuclear test ban such as the one recently ended by the Soviet Union and scoffed at by Washington.

Patrick Cockburn adds from Moscow: Mr Michael Armacost, the US

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CONTENTS

GRAPPLING WITH OBSTINATE ECONOMIC PROBLEMS

Zimbabwe's leader Robert Mugabe: facing growing pressure on the current account, Page 4

EUROPEAN NEWS

Hazel Duffy looks at a major challenge facing officials at the European Commission

Higher profile sought for EEC regional aims

THE NORMALLY placid officials in the European Commission are increasingly questioning the logic of having a Community regional policy over which they have so little control and from which they derive so little kudos.

At a time when regional economic divisions in Europe are *deeper than ever—whether* between one region and another, or one country and another—Brussels is largely powerless to do anything other than sprinkle Community funds here and there, in accordance *with the regional policies of* each individual government.

Ironically, the one area where it is having some impact is on the distribution of national government aids to the regions. A long-running disagreement *between* the Commission and the West German Government is coming to a climax, with Bonn insisting that it is its business and not the Commission's to determine the boundaries where national and regional government aid can be paid.

But it is the European Regional Development Fund *which is central* to the role that the *Community wants to play in* reducing regional disparities. In the main, the fund is a means for transferring cash to the regions according to national policies. Brussels would like it to reflect more those decisions made at a *Community level.*

A start is being made through what is called "integrated *operations*." Brussels is trying to co-ordinate some of the funds that go to the regions—the European Regional Development *Fund*, part of the *Social* Fund, and the much smaller fund for modernisation of agriculture.

Integrated operations schemes were set up initially in Belfast and Naples. Then, last summer, Ministers agreed to expand the idea. Governments were issued with *guidelines on* how to prepare programmes for areas they thought suitable for this approach.

With European governments *cutting* back *in many cases* on regional aid, local/regional authorities have been quick to submit studies (some part-*funded by Brussels) detailing* plans for large-scale improvements and economic regeneration. From Britain, for instance, plans for Birmingham and Bradford — cities which have been *hit* hard by *the decline of* industry in their surrounding regions—are being considered.

The final selection will be made be the Commission, but the indications are that steel closures, like those in the Ruhr, *south* Yorkshire and Teesside, will also be looked at sympathetically.

The ERDF is the largest of funds, and Mr Jacques Delors, Commission president, wants pledges from the member states that would double its resources over the next five years.

Last year, the fund agreed to *payments totalling Ecus 3.19bn* (£2.23bn), of which Ecus 2.39bn was actually paid out. Most of this money offsets funds which have either already been handed over by national governments, or have been included *in their budget calculations. In* other words, it is not "additional" to national funds, and the Commission gains little credit.

Italy receives the largest share of the ERDF (in 1986 it *was Ecus 701.43m). It was* followed by Spain, the UK, Portugal and Greece. Historically, each country is allocated a quota of the fund following negotiations with individu/l governments.

Since 1985, a *minimum* and maximum quota range has been determined within which Commission officials have more discretion *in* deciding where the money will be spent. The UK's quota, for instance, was set at 14.3 to 19.5 *per cent* of the fund. It actually received 17 per cent last year.

The negotiations this year on quota ranges will be crucial in *pitting the Commission's* determination to mould the fund more towards being a vehicle for determining Community priorities — particularly the need to bring the poorer countries closer to the wealthy—and the equally strong determination of governments to make sure that their problem areas *still get what they see* as a fair share of the fund.

The integrated operations programme, however, is the more ambitious and challenging. To succeed, it will need a considerable effort by the Commission to get its act together by co-ordinating different sections and interests.

It will also need a willingness by the *governments* to endorse the different approach. Already there is a suspicion that the programme funds might be used *to replace national funds. If* that turns out to be the case, the object will have been largely defeated. The fund would then continue to be mainly a means of transferring money back to certain governments.

EUROPEAN REGIONAL DEVELOPMENT FUND 1986

Commitments and payments—provisional (in Ecu m)

	Commitments	Payments
Italy	813.63	701.43
UK	513.33	468.35
Spain	640.88	314.30
Greece	309.65	302.88
France	259.25	200.36
Portugal	380.84	188.78
W Germany	82.53	88.23
Ireland	125.13	77.04
Belgium	19.14	21.61
Denmark	11.12	18.89
Netherlands	28.29	11.83
Luxembourg	0.97	0.13

Source: European Commission

Communist union steps up action against Madrid

BY TOM BURNS IN MADRID

THE SPANISH Government, already buffeted by widespread *strikes and demonstrations*, received a new challenge yesterday when the communist-led trade union Comisiones Obreras unveiled a plan for major protests at the beginning of next month.

In response, government spokesman Javier Solana said the Government was "open to dialogue" and *would* meet demands where possible but that it would be "inflexible" about disputes which turned violent.

The decision to step up the pressure against the Government's economic policies came *as a new dispute surfaced in* the form of two three-hour-long nationwide stoppages by rail*waymen yesterday morning* and evening. Similar railway strikes are planned next week to press for wage increases above a 5 per cent ceiling recommended by the Government.

Yesterday's commuter chaos coincided with the final day of a 72-hour strike by doctors and public health employees and of a 48-hour strike by construction workers, *with an indefinite* strike by university students and lecturers, with continued mobilisations by farmers who park their tractors on the national highways, and with continued disputes, strikes and *demonstrations in the steel and* coal sectors.

Violence, which included intimidation by railway pickets yesterday, has been a feature of *several of the protests.*

Issues behind the confrontation with the Government range from demands for greater public health spending, protests against a new university syllabus, anger over the impact of the EEC's common agricultural policy, *fear* of redund*ancies*, and *the controversial* pay guideline.

Comisiones Obreras, which wrested control of large companies such as the telecommunications monopoly Telefonica, the national airlines Iberia and the *national* railways, *from its* rival the Socialist General de Trabajadores (UGT) in trade union elections held at the end of last year, estimated that *half* a million Spaniards were involved in an industrial dispute of one form or another yesterday.

The planned "mobilisation week" from April 3-10 was presented by Comisiones Obreras as an attempt to channel as many of the various protests as *possible into a concerted* attempt to break what the union's veteran Communist leader, Marcellino Camacho, called the "Government's neo-liberal and anti-worker economic policy."

Mr Camacho issued an invitation to the UGT to form a common platform for April's *protests. Members of both* unions were *already actively* debating at shop-floor level "the need for an alternative to the existing economic *policy*," he said.

However, Mr Camacho narrowly failed to win endorsement from his union's 151-member supreme council for a general strike which he had *planned to call* on *April 30.* The union unanimously approved the protest week instead and Mr Camacho stressed yesterday that a general strike was merely awaiting "better objective con*ditions.*"

Swedish reaction to Chernobyl 'too tough'

By Sara Webb in Stockholm

THE SWEDISH National Institute for Radiation Protection (SSI) has admitted that stringent measures introduced to test radioactivity levels in food in the wake of the Chernobyl disaster were unnecessarily tough.

It has now recommended that the average Swede should be allowed to consume food containing considerably higher levels of radioactive caesium and has suggested raising the threshold from 300 becquerels per kilogram to as much as 10,000 bequerels per kilogram.

The recommendation has cast doubt on whether it was necessary to destroy about 5,000 tonnes of contaminated food worth an estimated SKr 150m (£15m) in Sweden last year.

Extensive food tests showed that 83 per cent of the reindeer slaughtered were unfit for sale to the public because the meat contained more than 300 bequerels per kilogram. They were fed to mink instead, and the Government had to pay compensation to Lapps in the worst affected areas who make their living from selling reindeer meat.

According to Mr Jack Valentin, deputy director at the SSI, the Swedish regulations were too severe, though the Institute believed it was necessary to play safe at the time. Other European countries, including Norway, allowed much higher levels of radiation in food.

The SSI now thinks that it is more important to consider the total amount of radioactivity consumed. It says that a yearly intake of 50,000 becquerels is acceptable and has suggested that the threshold for food sold over the counter could be raised to 10,000 becquerels.

If these recommendations are taken up by the national food administration, the onus would be on the individual to keep a daily record of how much radioactivity he or she has consumed.

According to the SSI, most Swedes can safely stay within the 50,000 limit—though the Lapps could still face problems.

Some Lapps consume as much as 100 kilograms of reindeer meat a year. Mr Mats Holmberg, a researcher at the SSI, says they now have two alternatives: "Either they can stop consuming meat, or they can feed their reindeer on radiation-free fodder provided by the Government."

France grows fearful over hostage's fate

BY DAVID HOUSEGO IN PARIS

FRENCH fears over the fate of the French hostage under sentence of death in Beirut deepened yesterday with the publication of a statement by his captors stiffening the terms for his release.

The statement issued in Beirut by the so-called Revolutionary Justice Organisation which holds the TV technician Jean-Louis Normandin said that his execution would be postponed for a week. But for the first time it alleged that Mr Normandin was a spy working for the French *and Israeli* governments and threatened to punish France for its support of Iraq in the Gulf War by the "harshest actions carried out in France itself."

Mr Normandin, whose picture *was released along* with the statement was apparently sentenced to death by the organisation over the weekend. The French Government has since been pressing for his release and Lebanese personalities have also called for clemency.

The statement also appears for the first time to link the fate of Mr Normandin to the sentence recently imposed by the Paris criminal court on Georges Ibrahim Abdallah, leader of the Lebanese Armed Revolutionary Faction. Abdallah was given life imprisonment in spite of pressures from the French government *for a lighter* sentence.

Officials, warned after the trial that the heavy penalty *could* endanger the life of the hostages and provoke fresh attacks in France.

Prior to the trial the Government is believed to have reached an understanding through Algerian and Syrian inter*mediaries that* a lenient penalty for Abdallah would help shield France from terrorist attacks.

In apparent reference to such negotiations, the statement refers to French failure to "respect the understandings and agreements reached with Algeria and with other parties." It does not spell out what these agreements were.

The document, which was delivered to the Beirut newspaper An Nahar, also adopts far tougher language over French support for Iraq demanding that it cease the supply of arms" which entail daily *destruction*, annihilation and tragedies for oppressed peoples."

Soviet production figure distorted, says economist

BY PATRICK COCKBURN IN MOSCOW

SOVIET INDUSTRIAL production is at least 3 per cent lower than shown by official statistics which are boosted by report padding, according to Mr *Alexei* Sergeyev, a senior Soviet economist.

Inflation of economic statistics at local level has come under increasing attack within the Soviet Union over the past year and specialists abroad also believe that the Central Statistical Administration in *Moscow* has systematically distorted the national income figures for 1985 and 1986.

Mr Sergeyev of the Economics Institute in Moscow told the daily Sovetskaya Rossiya that the official state monitoring organs believed that industrial figures were exaggerated by 1.5-3 per cent: "In my opinion it is significantly higher," he said.

The motive for overstated figures was often the pressure placed on *enterprises to raise* output by higher organisations, according to Mr Sergeyev. The construction industry was particularly prone to exaggerated results.

Last month Dr Jan Vanous, research director *of* Planecon, a private research organisation on the Soviet and East European economies, said the real growth rate in Soviet national income was only 1.4 per cent last year, compared to an official claim of 4.1 per cent.

Dr Vanous said that the overstatement of the improvement *in Soviet economic performance* since Mr Mikhail Gorbachev came to power in 1985 stemmed from exaggeration in the growth of retail trade, despite measures taken to limit the sale of alcohol, and underestimation *of price inflation.*

Improved economic statistics are essential for the success of Mr Gorbachev's economic reforms because of the need to channel investment into the parts of the economy showing *the* best return on assets. The Press has accused officials in the republics of Moldavia and Kazakhstan of exaggerating economic figures, but Mr Sergeyev's questioning of the validity of industrial output figures reduces the credibility of the Central Statistical Administration as a whole.

Meanwhile, as part of the greater statistical openness, Mr Alexei Vlasov, the Interior Minister, has said that it is time the Soviet Union released full crime figures which have *hitherto* been secret. He told the newspaper Literaturnaya Gazeta, however, that the tougher laws on alcohol had cut Soviet crime figures by 4.8 per cent last year but the improvement was largely concentrated on violent crime.

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'US of Europe' favoured by most in EEC

BY QUENTIN PEEL IN BRUSSELS

TWO out of every three EEC citizens are broadly in favour of the Community developing into a "United States of Europe." Almost half would entrust a European government with responsibility for the economy, foreign affairs and defence within the next 20 years.

An overwhelming majority expects to be watching European television channels by the year 2000, but only half expect to be using a common currency. Two-thirds expect to learn another language – or have children who speak another – by the end of the century.

The French emerge most positive of all in their vision of a "European future," and even the normally nationalistic British are not far behind. But West Germany and the Netherlands, traditionally two of the most Community-minded of member states, are much less certain of the future.

These are some of the startling conclusions of an ambitious opinion poll carried out by the European Commission in Brussels, to assess the vision of ordinary Europeans at the time of the 30th anniversary of the Treaty of Rome.

Europe 2000, an anniversary issue of the Eurobarometer opinion poll, shows that European citizens are very often more Community minded than their own national governments. But it also shows up key differences in national perceptions, and what aspects of sovereignty may be negotiable.

The British, for example, who almost invariably share the bottom spot for European attitudes with the cautious Danes, are actually most enthusiastic of all in believing that Europe will have a common defence policy by 2000. They are also most convinced that the Community will have a common anti-terrorist strategy.

When it comes to voting for a non-Briton as a future head of government in Europe, however, they are back at the bottom of the list – although 47 per cent think it is a possibility.

The core of the survey is a whole list of questions about what people expect in the year 2000, ranging from watching a European television channel, to speaking an additional language, being free to live and move and work in any member state, using a European currency and voting on a European constitution proposed by the European Parliament.

Those answering "yes" to the largest number of questions were the French, suggesting a remarkable shift in attitudes from their nation-centred tradition. Luxembourgers and Italians come predictably second and third, and in fourth place come the British thanks to their belief in such issues as common defence and anti-terrorism policies.

Way down the list are the Dutch and the Germans, which the pollsters believe is a reflection of a widespread disillusionment in those countries with the progress to date in creating genuine European institutions.

Bid to save ozone layer wins support

BY GEORGE GRAHAM IN PARIS

INDUSTRIAL nations are moving closer to agreement on the need to curb chemicals which damage the ozone layer in the earth's upper atmosphere.

The US has been seeking support for curbs at this week's high level meeting in Paris of the Organisation for Economic Co-operation and Development's chemicals group, and now believes it will be possible to reach agreement by the end of this year.

Mr Lee Thomas, administrator of the US Environmental Protection Agency, said yesterday that he sensed increasing support for plans to phase out chlorofluorocarbons (CFCs) and halons, and expected to sign a accord in September under the auspices of the United Nations.

Japan and some European countries have been more reluctant to go ahead with a ban on CFCs and halons, which scientists believe deplete the stratospheric ozone layer and thus allow excessive ultraviolet radiation to penetrate the earth's atmosphere.

This is expected eventually to lead to increases in skin cancer, cataracts and environmental damage.

The US hopes for an agreement which would eliminate 95 per cent of all CFCs and halons within 10 or 15 years, Mr Thomas said.

The OECD chemicals group agreed yesterday to call a top level conference in Paris next spring on the prevention of chemical accidents through the control of hazardous chemicals plants.

Brussels aims to open up public purchasing further

BY QUENTIN PEEL IN BRUSSELS

THE European Commission yesterday announced a new assault to open up the Ecu 400bn (£288bn) public purchasing market in the EEC, proposing sweeping powers to counter national barriers.

The plans would give Brussels the power to suspend the award of government contracts for three months, if they have not provided properly for cross-border bidding. They would also establish rules so that EEC contractors could challenge national tendering procedures through the national courts—with the support of the Commission if necessary.

The proposals announced yesterday by Lord Cockfield, Commissioner responsible for the internal market, amount to the third major move in 12 months to open up public purchasing to genuine cross-border competition. The next step will be to etxend the open tendering rules to four major excluded areas: telecommunications, transport, water and energy.

In spite of the professed commitment of the 12 member states to removing all national barriers to a single EEC-wide market, their own government purchasing policies remain one of the most entrenched areas of national preference, he said.

Existing regulations to extend and publicise tenders "have been misapplied by the member states, with the result that public procurement has largely remained a closed area."

Measures to open up public supply purchasing have been approved by the Council of Ministers, and only await the opinion of the European Parliament to become law. A second directive on public works contracting was submitted by the Commission in December and is now under discussion by national officials of the member states.

Lord Cockfield said yesterday's proposed directive would set out harmonised rules to be enforced by national courts.

The Commission would have the right to intervene in support of a local litigant, he said. In "exceptional cases of gravity" it could impose a standstill for a maximum of three months on the signature of a contract.

The sort of practices to be attacked include the failure to publish tenders in the Official Journal of the EEC; the use of special procedures for awarding contracts, designed to favour national suppliers; the use of national norms and standards; and the deliberate exclusion of undertakings from other member states.

Proposals to exend the rules to the currently excluded areas would be published shortly, said Lord Cockfield. They would confirm the total opening of contracts for new types of services, and increasing the proportion of purchases of conventional terminals, transmission and switching equipment from 10 per cent today, to 40 per cent next year, and 100 per cent by 1992.

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Yugoslavia's PM appeals for closer links with EEC

BY QUENTIN PEEL IN BRUSSELS

THE YUGOSLAV Government has appealed to all 12 member states of the EEC to revive their flagging trade ties, and boost their co-operation with Yugoslavia—for political as well as economic reasons.

A personal letter from Mr Branko Mikulic, the Yugoslav Prime Minister, was sent to all the EEC foreign ministers, and discussed this week at their annual council meeting. It spelt out his government's concern and dissatisfaction at what he described as "stagnating" co-operation between Yugoslavia and the Community, and the deteriorating pattern of trade.

Mr Mikulic underlined that 85 per cent of his country's trade deficit, and 65 per cent of its bilateral debt servicing obligations were with EEC member states. Yet the share of the Community in the overall foreign economic relations of Yugoslavia was "falling considerably."

The letter hinted at the Yugoslav Government's concern at its increasing dependence on trade with Eastern bloc countries, and the resulting threat to its non-aligned stance. "We believe that in this contenxt it is of crucial importance to provide more scope for Yugoslav exports to the Community market, which as you will agree is a prerequisite for the expansion of our relations," Mr Mikulic said.

The foreign ministers reached no clear conclusion in their discussion this week, but they agreed that the whole subject of Yugoslavia, and their political and economic links, should be an important item of their agenda at the forthcoming informal meeting next month.

Some member states are inclined to take a sympathetic view of the Yugoslav Government's economic, and therefore political, plight, but others are more inclined to insist that it must put its economic house in order before it can expect more generous trade treatment.

Mr Mikulic said in his letter to all the ministers that his government was aware of its part in halting the negative economic conditions in the country. "We are making great efforts to overcome the economic difficulties we are facing today," he said.

"It is in Yugoslavia's long term and lasting interest to develop stable, equitable and compressive co-operation with the European Community, on the basis of mutually agreed principles."

THE YUGOSLAV Government yesterday attempted to play down the significance of the current wave of industrial unrest but said it would have a new social compact on prices and wages scheme drawn up by early July, writes Aleksander Lebl in Belgrade.

Officials are concerned that reports of the strikes might worry the country's creditor nations. But any suggestion that Yugoslavia should return to the International Monetary Fund for stand-by credits was unjustified, they said.

The Government yesterday stressed that while the law was in force it had to be obeyed. But government representatives admitted that the present law to freeze wages at the level prevailing during the fourth quarter of last year was unfair to some organisations.

Yugoslavia has been gripped by a wave of industrial unrest over recent days in response to the law. This has come at a bad time for the Government which is wrestling with triple-digit inflation and a worsening external position.

The governmennt also admitted that the current legislation was passed hastily, that it was of poor quality and that the civil service, which itself had been depleted because of poor pay rates, had implemented it badly.

On the present debt problem, officials said the current policy on wages was in response to creditors' demands on inflation control, and a decision to lift interest rates, control the money supply and depreciate the dinar was on the IMF's advice.

French privatisation cash to boost state investment

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government is to provide a stimulus to fixed capital investment in the economy by drawing on the proceeds of its privatisation programme which are now expected to be far larger than anticipated in this year's budget estimates.

The Treasury now expects that if the privatisation of Societe Generale, the state-owned bank, and Assurances Generales de France, the large insurance group, goes ahead in the second half of the year, budget receipts from privatisation will amount to almost FFr 65bn (£6.7bn) as opposed to the FFr 30bn initially announced.

The Economy Ministry announced yesterday that a third of this will be reserved for capital endowments for the nationalised industries thus providing them with about FFr 20bn of fresh funds or FFr 12bn more than originally earmarked in the budget.

The Government has always maintained that the receipts from privatisation would only be used to pay off the national debt or for capital endowments in the state sector. Among planned beneficiaries this year are Renault (FFr 2bn), CdF Chimie, the chemicals group (FFr 1.5bn) and the steel sector (FFr 1.8bn).

In practice, the government is now expected to widen the orbit of potential beneficiaries so that the additional funds can provide a stimulus to a wide range of research, capital equipment and public works programmes. Details are expected to be announced by Mr Jacques Chirac, the Prime Minister, when he makes a major television appearance on April 25.

The Government has been under strong pressure from its centrist coalition partners, the UDF, to provide some stimulus to investment since signs emerged earlier this year of flagging activity. It recently revised downwards its forecasts of real GDP growth this year from 2.8 per cent to 2 per cent.

Hoechst opens court fight

THE West German chemical company Hoechst yesterday opened a fight in the European Court against the European Commission over an EEC anti-cartel raid on the company's Frankfurt-based headquarters.

Hoechst refused to let in EEC and West German Cartel Office officials when they demanded access in mid-January as part of an investigation into alleged price fixing

OVERSEAS NEWS

Hong Kong storm breaks over illegal censorship of films

BY DAVID DODWELL IN HONG KONG

THE Hong Kong Government yesterday appeared to be headed towards fresh controversy over civil liberties following revelations that it has been censoring films—including films that might offend Peking—without legal authority.

The discovery comes just a week after the introduction of laws that many claim could be used to gag the local press, and is likely to deepen anxieties over basic freedoms in the territory as the date nears when China will regain sovereignty from Britain.

Senior administrators were in a state of shock yesterday—one official said several had been "speechless"—as they tried to gauge the damage that may be done following the first-ever leak of secret papers presented to the Executive Council, in effect the territory's inner cabinet.

Details of the contents of the confidential papers were disclosed comprehensively in the Asian Wall Street Journal and have triggered a government investigation on how such a high-level leak could have occurred.

Controversy will focus not just on the probability that censorship has been enforced without legal authority, but on the undenied assertion that films were censored in order that Peking's sensibilities would not be offended.

Minutes of Executive Council meetings reportedly reveal that officials had realised 15 years ago that they were censoring films without legal authority. The minutes also identify groups that would be potentially troublesome—including Britain's parliament, and members of the Legislative Council in Hong Kong—if the news leaked out.

Controversy over the issue will be greatly magnified in the wake of protests last week as the Government steamrollered through the Legislative Council press laws

Yesterday's most embarrassing disclosure concerned the work of a committee known as the legal affairs policy group that has been investigating how the Government can acquire the power to censor or suppress films that show mainland China in an unfavourable light.

Peking hint of Macao deal

BY ROBERT THOMSON IN PEKING

CHINESE and Portuguese officials hinted yesterday that they would announce agreement today on China's resumption of control over Macao, a small Portuguese enclave off southern China.

Zhou Nan, China's chief negotiator, a vice-Foreign Minister, emerged from talks with Portuguese officials here yesterday with an uncharacteristic broad smile and a Portuguese diplomat gave an assurance that "tomorrow will be a nice day."

In recent months, Chinese officials have become impatient with Portugal's insistence that the two countries take their time in deciding the future of Macao,

China has insisted that the handover take place before the end of the century,

Tony Hawkins sees tough political decisions ahead for Harare

Zimbabwe's fortunes begin to fade

THE ZIMBABWE economy is being pushed into recession this year by the combination of a tightening foreign currency constraint and severe drought.

Lower real farm production, continued stagnation in the mining industry (except gold), declining manufacturing output and the tight external payments position mean that real gross domestic product, which was flat last year after growth of more than 9 per cent in 1985 will fall this year by at least 3 per cent.

Since independence seven years ago, real GDP has been growing at 3 per cent a year, barely keeping pace with the rate of population growth.

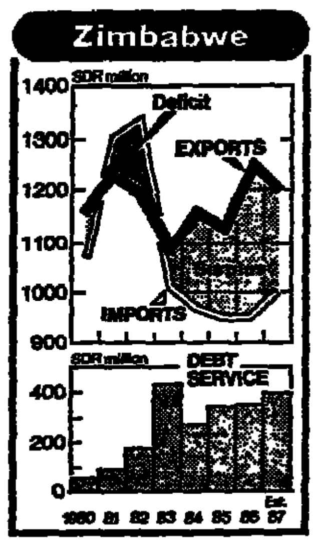
Agriculture and the service industries have set the pace for the economy, but mining and manufacturing have failed to match pre-independence expectations. In real terms, mining output is lower now than 10 years ago, while manufacturing production has limped along with an unimpressive 2 per cent annual growth rate since 1980.

Mining's dismal performance is readily explained in terms of weak world markets and depressed commodity prices for most of the industry's output, though gold prospects have brightened recently.

For its part, the manufacturing sector has been constrained by a serious shortage of foreign currency. Crude estimates suggest that Zimbabwe industry imports about a third of its requirements and, in recent years, manufacturers have been hamstrung by the combination of relentless cuts in nominal import allocations since 1981 and a depreciating Zimbabwe dollar.

Foreign exchange allocations to manufacturing industry are now estimated at no more than a third of their peak 1981 levels.

Industrialists forecast that the currency cutbacks could cost 30,000 jobs in manufacturing and lead to a fall of at least 5 per cent in manufacturing output this year.



Although Zimbabwe had a record $390m trade surplus last year, and its first post-independence surplus on current account in the balance of payments, these figures mask four key developments — the depreciation of the Zimbabwe dollar since 1983, the one-off impact of a doubling of gold exports last year, the steep fall in capital inflows in the last two years and, most important of all, the sharp rise in debt-service obligations.

While in Zimbabwe dollar terms exports have grown at a handsome 18 per cent annual rate since 1980, when calculated in special drawing rights (SDRs), they have expanded at only one per cent annually. The same is true of imports which in SDR terms last year were some 30 per cent below their 1982 peak. Because exports — in real terms — have hardly grown at all since 1980, while debt service charges have increased sevenfold, import capacity has been forced to take the strain.

While exports grew 10 per cent last year, this was largely the result of a one-off doubling of gold exports achieved by running down the gold stockpile. Thus although the balance of payments on current account swung from a deficit of US$150m in 1985 to a small $25m surplus, this and the $120m increase in gold exports was swamped by a $240m decline in capital inflows.

Exports are likely to fall this year partly as a result of the drought, but mainly because gold sales will decline from last year's exceptional level. At the same time, however, debt-service will hit exports. Fuel imports absorb a further 13 per cent of total exports while invisibles (other than debt-servicing) also account for 13 per cent leaving only 45 per cent of exports—or about $800m—available to finance imports and to pay for Zimbabwe's involvement in the war against the rightwing Renamo rebels in neighbouring Mozambique.

No official figures are available for the cost of the war, but when purchases of military hardware—not necessarily linked to the Mozambique conflict—are taken into account, the balance of payments cost is put at around $100m which leaves $700m available for non-fuel imports—about one third less than was actually available five years ago.

Small wonder, then, that the air is thick with gloomy forecasts of retrenchment and falling output in industry.

Compounding the problem is the current serious drought. There is no food crisis, since the maize stockpile is estimated at around 1.9m tonnes which will last the next two years at least. But lower maize production—the forecast is for 520,000 tonnes compared to last season's 1.6m tonnes—will still cut 10 per cent off the value of farm production in 1987 and reduce GDP by 1.25 per cent.

Fortunately, the maize losses should be recouped from increased cotton, tobacco, oilseeds and beef production. Cotton output will rise 28 per cent to a record 317,800 tonnes, and soyabean deliveries are forecast to increase 20 per cent to 100,000 tonnes.

Recovery in 1988 will depend on favourable weather conditions and improved import capacity, which, it would seem is only likely in the near-term to come from renewed foreign borrowing.

In this situation, Harare has turned to commercial borrowing and is currently negotiating a "bridging" foreign currency loan of $150m with the four international banks that have branch operations in Zimbabwe—Barclays, Standard Chartered, Bank of Credit and Commerce and Grindlays. But this—and the import cutbacks—can be no more than temporary stopgaps. While external debt-service obligations peak this year they will remain high for the rest of the decade averaging $450m annually between now and 1990. Consequently an export-led growth strategy is essential though ministers and even industrialists continue to speak optimistically of import-substitution savings and countertrade as if these offered a panacea.

The signs are that Harare is moving towards some form of import liberalisation which, along with some tough political decisions government spending, would open the door to World Bank structural adjustment lending and allow increased imports and faster growth. The urgent need for this cannot be exaggerated given the 750,000 secondary schoolleavers who will flood on to the labour market over the next four years.

Zambia opts for two-tier exchange system

ZAMBIA has successfully concluded talks with the International Monetary Fund on its economic policy and one result will be a two-tier foreign exchange system.

Mr Leonard Chivuno, Central Bank Governor, said, Reuter reports from Lusaka.

An economic adjustment programme favoured by the IMF ran into trouble last year after a drop in prices for copper—the main export—and food riots in December in which 15 people died. The riots made the Government retreat from a policy of ending subsidies on maize, a staple food.

In January, Zambia also had to suspend a system of auctioning foreign exchange—preferred by the IMF—after it resulted in a sharp fall in the kwacha to 15 to the dollar.

Auctions will now be reintroduced within a stricter system that will maintain another exchange rate for certain transactions, Mr Chivuno told a news conference last night after three weeks of talks with an IMF mission.

He also said that Zambia had cleared debt arrears with the IMF for 1985 with a $145m bridging loan from Standard Chartered Bank.

Hostage released

A Saudi embassy employee kidnapped in Beirut more than two months ago was released yesterday, a Shia Moslem leader said his militia and Syria obtained the man's freedom, AP reports from Beirut.

"We shall seek freedom of all the hostages," said Mr Nabih Berri, head of the Amal militia and Lebanon's Justice Minister.

A bearded Mr Bakr Damanhouri, wearing a brown suit and a white shirt, wept as Mr Berri spoke at a news conference also attended by Brig Gen Ghazi Kanaan, the chief of Syria's military intelligence in Lebanon.

Three killed in Punjab

Sikh extremists killed three people in Punjab yesterday as the state government asked New Delhi for paramilitary reinforcements to counter the fresh wave of violence, Reuter reports from New Delhi.

Police said the assailants attacked the three this morning near the Shikh holy city of Amritsar. Mr Kanwaljit Singh, minister of state in the Home Ministry, told the state parliament his government had asked for more than 600 additional paramilitary Central Reserve Policemen for Punjab.

Burma property curbs

The Burmese Government has passed a law to restrict the sale of land, buildings and fixtures to or from foreigners and foreign companies, Chit Tun writes from Rangoon. Transfer by others means, such as gift or mortgage, is also forbidden. The penalty is three to five years' imprisonment and the confiscation of the property.

Steven Butler reports on developments in an island state's most sensitive issue

Race relations debate resurfaces in Singapore

"WHAT WE are seeing here is discrimination," said Chiam See Tong, Singapore's lone opposition MP, in a brutally frank parliamentary debate this week about Singapore's most sensitive domestic issue – race relations.

The potentially explosive subject in multiracial Singapore has received unusual public and private airing in recent months after the November visit to Singapore by Israeli President Chaim Herzog touched off a storm of protest in the region, which outside of Singapore is dominantly Islamic.

The issue came up again with new immediacy following a remark several weeks ago by Singapore's second Minister for Defence, Brig Gen Lee Hsien Loong, who defended the policy of the Singapore armed forces of not putting its Malay citizens into some sensitive positions, such as piloting fighter aircraft.

"We don't want to put any of our soldiers in a difficult position where his emotions for the nation may come in conflict with his emotions for his religion," Gen Lee said.

The remark has been interpreted in a crude way to mean that the Singapore Government does not trust the loyalties of its Malay citizens.

Gen Lee says that promotions in the armed forces are based on merit, although the ranks of officers are rather thin of Malays because of lower educational levels in the Malay community.

Gen Lee's remarks have drawn particular attention because Gen Lee is the son of Lee Kuan Yew, the Prime Minister, and is widely regarded as a potential successor to the Prime Minister who has stated his intention to step aside in several years.

The Malaysian Foreign Minister, Datuk Rais Yatim, initially said the question was an internal matter for Singapore, but last weekend fanned the flames with a remark that Gen Lee's statement was a "serious threat" to Malays.

"Efforts must be made to consolidate Malay strength and unity," he said, in an evident direct appeal to Singapore's Malay citizens.

The remarks touched an extremely raw nerve in Singapore, which is just 22 years old, because it is still trying to establish firmly its national identity when it has few of the usual prerequisites for nationhood.

Singapore's population of 2.5m is 76 per cent Chinese, 15 per cent Malay, and 6 per cent Indian, and the economic and social disparities between the races is constantly feared to lead to a fresh outbreak of the violence that wracked Singapore in the 1960s.

The strength of Malay loyalty to Singapore was questioned by the Prime Minister after the Herzog visit, which was strongly criticized in the Malay community.

The ultimate fear is that racial trouble in Singapore could lead to intervention by one of its neighbours. Singapore has been pursuing a vigorous and highly visible national defence policy that seems rather obviously directed at what is supposed to be a friendly neighbour to the north, and Malaysia has shown its irritation at this.

Malay backbenchers of Singapore's ruling People's Action Party this week roundly criticised foreign nations for interference in Singapore's internal affairs, in an obvious reference to Malaysia. They also gave Gen Lee the opportunity to expound on what has been real progress made toward integrating Malays into the Singapore armed forces.

"Singapore society is still not fully integrated," said General Lee on Tuesday. "Greater participation in the SAF (Singapore Armed Forces) will follow closer integration, rather than vice versa. The way to deal with the problem is not to pretend that it does not exist but to discuss it frankly yet sensitively."

Gen Lee says he believes that Singapore is more mature now and can handle a frank public discussion of contentious issues. It is clearly a calculated risk, since many observers believe that the remarks so far have heightened rather than reduced racial tensions.

Lee Kuan Yew

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AMERICAN NEWS

US economic growth sluggish during quarter

BY LIONEL BARBER IN WASHINGTON

THE US economy grew at a sluggish 1.1 per cent annual rate during the last three months of 1986, the Commerce Department reported yesterday.

The latest figures on the rate of growth in the gross national product—the broadest measure of economic health—in the October to December period was less than earlier official estimates of 1.7 per cent and 1.3 per cent.

The Department said that inflation, as measured by the GNP price deflator, rose by 0.7 per cent during the period, while corporate profits jumped by 6.1 per cent.

The fourth quarter GNP figures were expected to be modest, mainly due to a decline in inventories. Businesses have been rebuilding inventories in the first quarter, and most economists are watching the January to March period to see whether the five-year US recovery will accelerate later in the year.

There have been some promising signs of growth in recent official economic data. Housing starts in February rose by 2.6 per cent to 1.85m units, the highest level since last April.

Retail sales jumped 4.1 per cent in February, while the Federal Reserve Board reported that a boost in car production had pushed up the utilisation rate in US factories, mines and utilities last month.

But these monthly statistics blur the continuing huge structural imbalances in the US economy, embodied the trade and budget deficits. This week, the Commerce Department confirmed that the US current account—the broadest measure of a country's trade in goods and services—showed a record deficit of $140.6bn in 1986.

Deaver challenge to prosecutor rejected

By Lionel Barber

MR MICHAEL DEAVER, the former top White House aide, is expected to be indicted before a grand jury soon on perjury charges. The charges arise out of an investigation by a special prosecutor into Mr Deaver's lobbying activities after he left the Reagan Administration.

The Supreme Court yesterday rejected an emergency request by Mr Deaver to challenge the constitutionality of the special prosecutor, a move which would have halted the indictment.

Mr Deaver's court challenge was similar to one mounted by Lt-Col Oliver North, the former White House aide sacked for his role in the Iran arms scandal.

The Deaver investigation, though overshadowed by the Iran arms scandal, is likely to cause further political damage to President Reagan.

Mr Deaver, who earned hundreds of thousands of dollars from clients to lobby for their interests in Washington, is a close friend of First Lady Mrs Nancy Reagan.

Mr Deaver's alleged offence is to have lobbied key government officials within 12 months of his departure from the White House, contrary to established rules.

David Gardner profiles the man who turned against the ruling party leadership

Cardenas puts Mexican discontent in focus

MR CUAUHTEMOC CARDENAS, leader of the reformist Democratic Current inside Mexico's eternally ruling Institutional Revolutionary Party, (PRI) last week broke open from the inside what is probably the most hermetic political culture in the non-communist world.

In an open letter to PRI members, Mr Cardenas accused the party leadership of being authoritarian (and thereby reactionary), treacherous, opportunist, ignorant of Mexican history and of delivering up the country to the Right by abandoning the principles of the 1910-17 revolution from which the ruling party emerged.

The effect was devastating. In the PRI tradition, language is oblique and elliptical, adversaries are seldom named, disembodied threats to national sovereignty and unity are invoked daily and discipline is all.

Mr Cardenas' direct and uncompromising attack, though carefully worded and aimed at what he called the party's "transitary leaders" was received inside the PRI like a cluster bomb. His defacto expulsion—from a party which last formally expelled someone in 1935 — followed within 48 hours.

By last weekend Mr Jorde de la Vega, the PRI president, said that, as far as he was concerned, "the subject is closed." While President Miguel de la Madrid called for an end to what he puzzlingly described as "morbid criticism." But the implications of the Cardenas affair may only just be beginning.

Eleven days ago, Mr Cardenas was merely the respected outgoing Governor of his home sate of Michoacan on the Pacific coast. Seen as the austere and somewhat rigid son of the late and revered Gen Lazaro Cardenas — Mexico's dominant political figure this century who,

Cardenas' attack was received in the PRI like a cluster bomb

as President in 1934-40, nationalised the oil industry and distributed land to the peasants.

Now, however, following what still looks like PRI overreaction to the challenge presented by the Democratic Current, Mr Cardenas looks as though he could become a genuine national leader, bringing into focus widespread, if inchoate, discontent with the regime's monopoly of power, corruption and economic failure.

The threat he presents to the regime. is that he is a sort of fundamentalist who takes seriously the precepts and principles of the revolution and, worse still, appears uninterested in office. He is widely perceived as honest and has a name which really counts in Mexico, and which he patently feels he cannot betray.

Receiving journalists and well wishers in his father's old study in Mexico City he reiterates, calmly and precisely: "This is a struggle to rescue the principles of the party. A battle of ideas. We are neither for nor against this or that candidate" he insist, referring to the regime's near total absorption in choosing a President to succeed Mr de la Madrid in 1988 when, by law, he must step down.

This selection, currently the sole prerogative of the President, should be carried out by the PRI rank and file after a full policy debate, Mr Cardenas and the Current argue, as an essentiol first step towards reestablishing the party's credibility.

They claim there was widespread support for this, and other reforms—especially their call for radical limits on servicing the $100bn foreign debt—at the PRI's national congress at the beginning of the month, despite the leadership's bureacratic orchestration of unity around its own positions. The latter even extended to Mr de la Madrid, who appeared on the same platform with former Presidents Luis Echeverria and Jose Lopez Portillo, the man widely blamed by Mexicans for the mismanagement and corruption which caused the 1982 financial and economic crisis.

In Mr Cardenas's view, "the debt issue hasn't been discussed in sufficient amplitude. This is a job a democratic party should be doing, eliciting the fullest exchange of opinion."

A youthful-looking 52, Mr Cardenas is basically a socialist with profound nationalist convictions, like his father. Portraits of Salvador Allende the slain Chilean socialist president and Fidel Castro, the Cuban leader, in the company of Gen Cardenas hold their place in the study along with the heroes of Mexican independence.

He was a deputy Agriculture

He takes seriously the precepts and principles of the revolution

Minister in the 1970s, particularly interested in the art of tropical farming. As Governor of Michoacan, he was a major sponsor of artists and artisans but was better known nationally for enforcing liquor licensing, gambling and prostitution laws.

Attacked by the right as dogmatic, for decreeing fee limits at private schools, he relented and let parent teacher associations set levels. He turned over the major municipalities of Zamora and Uruapan to the right-wing opposition National Action party on what was politically, if not legally, sufficient evidence of PRI ballot rigging.

Two years ago, Federal and Jalisco state police carried out a bloody raid on a Michoacan farm in a bid to throw investigators of the murder of a US Drugs Enforcement Administration agent off the scent. Governor Cardenas astonished the Government and nation, then preoccupied by the major row with Washington over the handling of the investigation, by publicly denouncing the entry into his state as against the 1917 constitution.

Is not this insistence of principle in the face of a regime which measures power by the control of jobs in the party and state apparatus rather ingenious? Mr Cardenas firmly demurs: "Ideas don't derive their force from the importance of the position one holds in the party, but from the number of Mexicans who share them," he says.

Since it is not used to dealing with true believers like Mr Cardenas, the PRI leadership's future intentions must be a matter of speculation. Mr Cardenas does not recognise the party leadership, to whom he denies all moral authority. Yet he plans to continue working inside the PRI.

If the expulsion is enforced, however, the former Governor has publicly stated he will give no quarter, and he will be forced to confront the PRI from the outside, possibly even by standing against it next year. The last major split in the regime, in 1952, was ineffectual in large part because Gen Cardenas, though he sympathised, would not support it. His son has so far shown that, in any future schism, his resolve is not in doubt.

Sarney to devise plan for economy

By Ivo Dawnay

PRESIDENT Jose Sarney of Brazil is drawing up a four-year economic programme for presentation to foreign creditors following the rejection of a short-term strategy prepared by planning minstry officials.

Mr João Sayad, the Planning Minister, resigned on Tuesday when his proposals for a three-month freeze on wages and essential prices failed to win the backing of the main government coalition party, the Brazilian Democratic Movement (PMBD).

A new strategy is now being devised by Finance Ministry officials amid mounting criticism from industrialists over the lack of a clear government economic policy. Foreign creditor banks are resisting pressure from Brazil for a favourable rescheduling agreement on the country's $104bn debts until clear indications are given as to the country's course.

Since Brazil suspended its interest payments on longer term debt last month, conflicts have emerged within the Government over how to contain resurging hyper-inflation and revive the country's poor trading performance.

Official figures for February showed prices increasing by 14.2 per cent over the month, while the current account registered a surplus of $261m, against $620m for the same period last year.

Mr Sayad's resignation is also said to have worried industrialists. Until last November, he was closely associated with the government's Cruzado plan, which sought to eliminate inflation by de-indexing the economy and imposing a price freeze.

But when Mr Dilson Funaro, the Finance Minister, insisted on persisting with the freeze, despite spiralling demand and widespread shortages of goods, Mr Sayad openly criticised the strategy, calling for tough fiscal measures.

US set for IDB loans showdown

By Nancy Dunne in Washington

THE US and members of the Inter-American Development Bank are heading towards a showdown in Miami starting today over a Reagan Administration demand for new power over loans granted by the lending agency.

US officials, including Mr James Baker, the Treasury Secretary, will be attending the Miami meeting along with representatives from the other 43 member countries. The IDB is seeking a $25bn replenishment of its lending resources until 1990, but the US, which generally supplies about one-third of the funding, is insisting on several policy changes first.

The US wants a change in the institution's voting structure, and has proposed that only 35 per cent of the vote, rather than a majority, be required to block a loan. The US has a 34.5 per cent share of the voting power, and Canada, which usually supports the US in its votes, holds a 4.4 per cent voting bloc.

In recent testimony before the Senate foreign relations committee, Mr Baker said that the change would "ensure that a greatly expanded IDB lending programme will encompass appropriate policy conditionality and high priority, quality loans."

He listed several policy changes sought, including development of structural adjustment lending with strong "conditionality," and said if the reforms were adopted, the US would support a $20bn lending programme for 1987-90, up from $15bn for 1983-86.

If the US does not achieve the changes it wants, it is prepared to negotiate "a more modest replenishment which would allow the bank to continue traditional project lending," he said.

Caribbean countries will reopen border

THE HAITIAN-DOMINICAN border will reopen in next month, ending four years of cool relations between the two Caribbean neighbours according to Haiti's Foreign Affairs Department, Reuter reports from Port-au-Prince.

The accord follows intensive discussions of the problems that led Haiti to request the border be closed in 1983, when dictator Jean-Claude Duvalier ruled the country.

The smuggling of goods strained relations, with cheaper Dominican products flooding Haiti's market, hurting local producers of tennis shoes, tomato paste, plastics, milk and sugar.

Haiti also emphasised in its negotiations the bad treatment Haitian cane-cutters receive in Dominican canefields, described in a 1983 International Labour Office Report as neo-slavery.

Both Jean-Claude Duvalier and his father, Francois "Papa Doc" Duvalier, allegedly pocketed millions of dollars by annual contracting with the Dominicans to supply hundreds of thousands of Haitian cutters.

An interim government has ruled Haiti since Jean-Claude Duvalier fled the country in February 1986 after a wave of popular unrest against his government.

The recent accord also agrees on co-operation in tourism, agriculture, reforestation, fishing, public and animal health, mining and energy.

The accord makes no mention of joint celebrations of the 500th anniversary of Christopher Columbus' discovery of the island the nations share, but Tourist Bureau sources consider it the first step to co-operative celebrations.

Pinochet 'capitalising' on Papal Chile visit

CHILEAN President Augusto Pinochet is being portrayed alongside the Pope in a government media campaign aimed at capitalising on a Papal visit next month, a Chilean opposition leader said yesterday, Reuter reports from Brussels.

Mr Ricardo Hormazabal, vice-president of the Christian Democratic Party, said the campaign launched by President Pinochet included television advertisements juxtaposing shots of the Pope and the President, with a narrative referring to the "man of peace."

"Pinochet wants to make political points off the Pope's visit. But the Chilean people know he is coming to see them and not Pinochet," Mr Hormazabal said.

He said President Pinochet was trying to ensure that television camera crews covering the Pope's visit from April 1-6 would stick to close-ups and avoid wide-angle shots which might show crowds carrying anti-government banners.

Mr Hormazabal is in Europe to meet international trade union leaders in Brussels and in Rome.

Mr Hormazabal, who is also vice-president of the National Workers Command, a trade union umbrella group of the Chilean opposition parties, said workers hoped the Pope would talk about their rights to organise and to earn a decent living.

Flights row may hit UK, Philippines air services

By Lynton McLain

AIR SERVICES between the UK and the Philippines will stop at the end of the month unless British Airways and Philippine Airlines reach an agreement on how services between the two countries should be operated.

The dispute between the two airlines and their governments goes back nearly three years, after Philippine Airlines added another weekly service to its two existing services and the two operated by BA.

The air services agreement between the two countries permitted the airlines a maximum of three flights each a week and called for a commercial agreement to be reached between the two airlines.

BA objected to any increase by Philippine Airlines.

The issue went to the Court of Appeal which upheld the right of Philippine Airlines to operate a third flight under the terms of the air services agreement.

The UK Government then gave notice to abrogate the treaty, with effect, after an extension, from March 31.

Philippine Airlines adopted a conciliatory tone in London yesterday and said that "the proceedings with BA have been very fair."

The two airlines had reopened negotiations and Philippines Airlines had paid BA £745,000 in compensation for the "perceived damage done to it by the third Philippine Airlines' service." The airline has subsequently agreed to increase its total compensation to BA by 60 per cent.

The UK Department of Tranport said yesterday that "once the UK Government has seen the agreement between the airlines, we are confident we can make fairly speedy progress over a new air services agreement."

● Mr Dante Santos, president of Philippine Airlines, signed a contract in Belfast yesterday with Short Brothers, the Northern Ireland aircraft company, for the lease of four Short SD 360 series 300 twin-engine turboprop airliners, as the first step in Philippine Airlines' domestic fleet modernisation programme.

A seemingly eccentric wrangle highlights complaints threatening to engulf the EEC, **William Dawkins** reports

Lipstick war proves more than just a minor irritation

A LIPSTICK war has just broken out in Europe. Cosmetics producers in Britain, France and West Germany are up in arms against the Rome Government for launching new packaging rules that will infuriatingly complicate their attempts to sell in Italy.

The new rules, the legality of which is being scrutinised by the European Commission's increasingly hard pressed internal trade officials, mean that all cosmetics sold in Italy will from next May have to carry the name and address of the local importer on both their inner and outer packages.

This, complains Colipa, the European cosmetics federation, flies in the face of an EEC directive that packages only have to bear the name of the European distributor—not the national one—and only once rather than twice, as the Italians are insisting.

It might seem like a minor irritation. But if Rome got away with it, the result would be that anybody wanting to sell cosmetics throughout the Community would have to keep separate stocks for Italy, which represents a fifth of the EEC's Ecu 11bn (£7.7bn) industry.

This seemingly eccentric—but in fact fundamental—wrangle is typical of the many hundreds of complaints against barriers to free trade inside the EEC that are now threatening to ennguif the Commission. While policy makers are hard at work concocting new legislation to usher in a truly free internal trading system by the 1992 deadline agreed by member states, the system for making sure that existing trade rules are observed is under growing strain.

Concern is increasing both at a political and at an official level that Brussels is not getting close enough fast enough to the many small restrictions that hinder fre etrade throughout the EEC.

One partial solution, being discussed among the staff of Lord Cockfield, the internal market Commissioner, would be to set up a local EEC ombudsman to deal with intra-Community trade barrier complaints on the spot.

Europe's major chemical companies are planning to set up a computer network to allow them to trade with each other electronically, thereby eliminating a mass of slow and cumbersome paperwork, *William Dawkins* reports.

At least 10 leading manufacturers expect to be doing a significant proportion of their inter-group trade via electronic data interchange by the end of the year, Cefic, the European chemical company federation, said yesterday.

They include ICI in the UK, Switzerland's Ciba-Geigy, Bayer in West Germany and Akzo in the Netherlands.

Mr Willy de Clercq

But for the time being, policing falls to the tiny Brussels-based team of 15 officials responsible for enforcing the Treaty of Rome's Article 30, an all-embracing law which outlaws "quantitative restrictions on imports."

Their workload has shot from 550 cases in 1981 to nearly 1,200 in 1985, the last year for which a full count is available. They include complaints against trade restrictions ranging from excessive frontier formalities to discriminatory public procurement, price controls and unfairly tough national product standards.

Waiting times have, as a result of this avalanche, grown longer, to anything up to three or four years for the most complex cases. Companies involved are grumbling that the Commission is failing to put into effect properly the most basic elements of the European common market.

Revealingly, the reasons for the backlog are as much to do witht the unevenness of the Commission's internal decision making structure as with a simple shortage of staff. "It is a paradox that at a time when we are pushing so hard for a free internal market, barriers to free trade are continuing to exist without being attacked," says one official.

For the internal market is the onet rade area where the Commissioner responsible does not—in general—have the machinery to crack down on wrong-doers without consulting his 16 colleagues first.

Mr Willy de Clercq, the external trade Commissioner and Mr Peter Sutherland, the competition commissioner, can both open proceedings on their own against dumping and price fixing respectively. But Lord Cockfield has in most cases to apply to a full commission meeting to take action against companies or governments that are making use of illicit trade barriers.

There is one exception. Lord Cockfield can unilaterally block any new technical standards coming from member states if they are likely to hinder free trade.

But for the vast majority of cases, proposals for action first have to come from the companies well informed enough about the Community to complain to the Brussels authorities. They then have to be prepared by the section chiefs involved for a special six-monthly Commission meeting at which more than 600 cases might be rubber stamped for action or further study.

Normally, most complaints are settled after a stern warning to a company or member state, so that only between 10 and 20 complaints a year have to go to the European Court of Justice in Luxembourg for a decision.

Going to the equally hard-pressed court can be another source of delay. But an encouraging exception to that rule came only last month when the court gave an interim order that public authorities in the Irish town of Dundalk were wrong to refuse to consider a tender for a water supply improvement scheme from a local company on the grounds that it was planning to use cement pipes made to Spanish, rather than Irish standards.

It was the first time in a case of this kind that the court took a decision without even giving the government concerned a chance to put its side of the story.

The Commission has held this ruling up as a sign of how its determination to ensure that the internal market is upheld, in pupblic procurement as everywhere else, is bringing results. However, that is not much comfort to the more than 200 aggrieved cross-community exporters and their representatives whose complaints are now struggling to get through the Brussels bottleneck.

US takes soft line on Airbus

BY WILLIAM DULLFORCE IN GENEVA

THE US is taking its quarrell with the EEC over Airbus Industrie, the European aircraft manufacturer, to the General Agreement on Tariffs and Trade today with much less fire and gunsmoke than appeared likely a month ago.

It is asking the 20 countries which have signed the Gatt agreement on trade in civil aircraft to confirm its intepretation of two articles in the agreement.

One prohibits governments from exercising "unreasonable pressure" on airlines or offering them inducements to buy aircraft from a particular source.

The other stipulates that the pricing of civil aircraft shall be based on a "reasonable expectation of recoupment of all costs."

The actions of the French, British, West German and Spanish governments in assisting the production and marketing of Airbus aircraft are inconsistent with these articles, the US claims.

However, chastened by the rebuffs a US government team received from all four nations during its visit to European capitals last month, the Reagan Administration is initially asking the Gatt committee only to clarify the meaning of the two articles.

The US mission to Gatt yesterday denied that its recourse to the committee was a first step towards calling on the international trade organisation to adjudicate in the dispute. Washington wanted "an amicable and early solution" to the controversy with the EEC, the mission said.

An EEC official said the team from the Brussels Commission representing the four governments was waiting for greater clarification of its purpose by the US delegation in the committee's talks which are scheduled to last two days.

Before President Reagan's Economic Policy Council last month decided to cool the dispute, US officials had been threatening retaliation against the four-nation Airbut consortium for its alleged threat to the markets of US aircraft manufacturers.

Assertions have been made in Washington that Airbus Industrie has already received some $10bn (£7.1bn) in subsidies from European governments to produce and market aircraft and that it is about to receive a further $4bn to build its projected A-330 and A-340 long-range airliners in direct competition with Boeing and McDonnell-Douglas of the US.

US companies have also charged that European governments have been using unfair trading practices to press airlines to place orders for the new Airbus aircraft instead of for McDonnell - Douglas's MD11 model.

European governments have rejected these charges. The French government, in particular, has claimed that its advances to Airbut Industrie are repayable and that a significant portion has already been repaid. But the consortium has not published full details of the aid received and of refunds.

British Aerospace has asked its Government for £750m to finance its share of the new Airbus aircraft.

● In France, one of the principal partners in the Airbus consortium, the Government, yesterday took a calm approach to today's Gatt talks.

Mr Michael Noir, Minister for Foreign Trade, said: "We are ready if necessary to clarify the interpretation we give to Articles 4 and 6 of the Gatt agreement."

Fiat noses ahead in bid for Polish motor deal

BY JOHN WYLES IN ROME

FIAT OF ITALY is believed to be nosing ahead of Japan's Daihatsu in the competition for a $700m (£500m) contract for modernising and developing the Polish motor industry.

Negotiations are understood to be reaching a conclusive phase on the basis of a plan to equip Polish plants for the production of two Fiat motor cars.

This would involve a small car of new design which may derive from the Autobianchi 112 and a medium-sized model which would almost certainly be the Fiat Duna, at present produced in Brazil and recently introduced into the European market.

Unexpected

The Italian company has found the Japanese competition unexpectedly strong partly because of generous financing terms being offered by Daihatsu.

However, Fiat has launched a determined effort to persuade the Poles to remain loyal to a relationship which began in the 1960s with the production in Poland of the Polsky Fiat small car.

Mr Gianni Agnelli, Fiat's president, had a lengthy meeting in Rome in January with Gen Wojciech Jaruzelski the Polish leader which confirmed that the Turin company was prepared to alter its original proposals based on offering the production of the Fiat Ritmo.

Arguments

Somewhat to Italian chagrin, the Polish leader had a meeting in Warsaw with Japan's premier, Mr Yasuhiro Nakasone, immediately after his return from Rome.

It is thought that the Polish Government is sensitive to arguments about the trade-expanding potential of a deal with Fiat.

Sub-contractors in the project would be drawn from other European countries and Fiat itself would guarantee to market a proportion of the production of the Polish-produced cars.

Daihatsu is not offering any equivalent marketing arrangement.

Japanese 'still dumping semiconductors in US'

BY LOUISE KEHOE IN SAN FRANCISCO

FRESH accusations of Japanese "dumping" of semiconductor chips in the US were made this week by LSI Logic Corporation, the largest US maker of "gate array" chips.

Mr Wilfred Corrigan, chairman and founder of LSI logic, claimed Japanese companies were dumping gate arrays in the US in violation of the US-Japanese semiconductors pact signed last September. He added that the company was considering filing a dumping suit against the Japanese manufacturers.

Gate arrays are mass-produced logic chips which are customised for use in computers and a wide range of electronic equipment. World wide gate array sales are projected to total $1.5bn (£1bn) this year, with about 50 per cent of the market in the US.

According to Dataguest, the market research firm, US prices for leading-edge gate arrays, the sector in which Japanese companies are most active, fell last year from about 0.6 cents per gate to 0.28 cents in October. Dataguest's latest research finds equivalent chips selling for about 0.24 cents per chip.

Gate arrays are one of the types of chips covered by the US-Japanese trade pact under which the Japanese agreed to stop dumping in the US and third-country markets. Three major dumping suits covering different types of memory chips (data storage devices) were suspended as part of the agreement.

The US is considering imposing trade sanctions against Japanese chip producers who are allegedliy continuing to dump memory chips in third-country markets, particularly in Asia. An announcement is expected before the end of the month.

This week Mr Yasuhiro Nakasone, the Japanese Prime Minister, called on the country's Ministry of International Trade and Industry to make greater efforts to resolve the dispute over the operation of the agreement.

"We will wait to see what action the US Government takes" on the memory chip issue "before making a decision on whether to file a dumping suit," Mr Corrigan said.

Rail workshop job losses grow by 1,411

BY LYNTON McLAIN

BRITISH RAIL Engineering (Brel), the rolling stock manufacturer and repair company of British Rail, yesterday announced plans for a further 1,411 job cuts by next March because of a declining workload.

The latest cuts will bring to 1,911, or 15 per cent, the planned cuts in the 12,600 workforce at Brel's headquarters and two workshops at Derby and at its workshops at Crewe and York.

The company said the latest cuts come in the face of further "significant reductions in the British Rail repair workload of coaches and locomotives."

Brel is a candidate for privatisation under Government policy. The latest redundancy plan comes only a month before Brel is to be split formally into two operating groups – the New Build and Heavy Repair group and the BR Maintenance Group.

The Maintenance Group is to be transferred eventually back to direct control of the British Rail Board, and will concentrate on BR's lighter maintenance requirements.

This will leave the New Build and Heavy Repair group, widely expected to be the privatisation candidate, to fight for other work. This switch follows the pattern in most other developed countries and the change will bring BR into line with accepted practice.

The revised redundancies will cut the workforce at the Crewe works by 600 more than had been planned in September last year; at York by a further 350; at the Derby railway carriage works by an extra 311 and at the Derby locomotive works by a further 50 people. A further 100 jobs are to go at the Derby headquarters.

The Crewe works now employs 4,000 people. This will fall to 3,000 by March 1988 under the revesed plan announced yesterday. The Derby railway carriage works workforce now totals 3,000, which will fall to 2,739 by next March. At Derby locomotive works the 2,100 workforce will fall to 2,000 by March. The Brel headquarters at Derby will lose 200 of its current staff of 800 people by March.

The latest round of job cuts follows Brel's announcement in May last year that it would cut between 3,900 and 4,300 jobs at its Maintenance Group workshops at Glasgow, Doncaster, Eastleigh, near Southampton and Wolverton, near Milton Keynes. These job losses are to take effect by March 1989.

Mr Andy Dodds, assistant general secretary of the National Union of Railwaymen, said: "We just do not feel that we can trust a word being said from BR regarding further job cuts. We are constantly told this will be the last time – but the job losses go on.

"As long as traditional Brel work is given out to private contractors the workload erosion will continue and with it the break-up of our world-renowned rail works."

Teachers call new round of strikes

By Helen Hague

THE TWO main teaching unions in England and Wales yesterday announced a fresh round of joint selective strike action in protest at the Government's moves to impose a pay and conditions settlement and abolish direct pay bargaining.

The National Union of Teachers and the National Association of Schoolmasters/Union of Women Teachers have agreed a programme of half-day strikes in selected areas to begin next week, which will disrupt schools until the Easter break. The move was immediately condemned by Mr Kenneth Baker, the education secretary.

The newly announced package follows a nine-day programme of half-day strikes, which ends today.

It is designed to exert pressure on the Government to repeal the Teachers' Pay and Conditions Act which became law at the end of last month. This gives Mr Baker power to impose his 16.4 per cent pay deal, tied to a tightly-drawn new teachers' contract and abolishes the unions' right to negotiate with local employers.

For the first time in the current phase of the protracted dispute, the two unions are to pay their members who take part in the strikes.

Government wants lower pay rises after budget tax cuts

BY PETER RIDDELL, POLITICAL EDITOR

THE BUDGET tax cuts were yesterday directly linked with an appeal to limit pay rises by Mr John MacGregor, the Chief Secretary to the Treasury.

Speaking during the Commons debate on the budget, Mr MacGregor said that for a married man on average earnings the measures were equivalent to a 2.7 per cent pay increase "without adding a penny to industry's costs." He added: "I hope this point will be reflected in pay bargaining."

He contrasted bigger wage increases which made British goods less competitive and tax reductions, which had the opposite effect.

Mr MacGregor argued that the real (inflation adjusted) take-home pay for a married man without children on average earnings had risen by 22½ per cent since 1979 as a result of wage rises and tax changes. He contrasted this with a 1 per cent fall during the 1974–79 Labour Government.

He claimed that, by cutting the basic rate of income tax by 2p in the pound, the Government had improved incentives for 21m people or for the 94 per cent of taxpayers whose marginal rate is the basic rate. However, he noted that an increase in tax allowances of equivalent total cost would have improved incentives only for the 1.2m taken out of tax, of which under 10 per cent are families with children.

Mr Roy Hattersley: 'Vote now, pay later'

Mr MacGregor also renewed the Tory attack on Labour's spending plans based on new Treasury estimates of additional commitments and taking account of what he claimed were abandoned pledges on a 35-hour week and a minimum wage. He said that the full year cost of Labour's spending plans therefore now totalled around £34bn or a basic rate of income tax of 56p in the pound.

A Labour spokesman immediately denied these estimates and said that all Labour was committed to was a £6bn jobs package and £3.6bn extra for social security to be financed by reversing the tax reliefs for the well off since 1979.

He said Labour would raise the equivalent of the budget's 2p cut in the basic rate but not necessarily by directly reversing the reduction since the money might be found by adjustments in tax allowances and thresholds.

Mr Roy Hattersley, Labour shadow Chancellor, said Labour's plans would mean a public sector financial deficit below 4 per cent of national income. This deficit differed from the conventional public borrowing figure by adding back the proceeds of privatisation. A figure of 3¾ per cent or £14bn to £15bn indicated by Labour's plans compared with a level of about 2 per cent under government plans.

Mr Hattersley said the budget was "vote now, pay later" and he added that there was nothing for pensioners without an independent income, for families living on poverty wages, or for the unemployed.

Mr Roy Jenkins, the Alliance economic spokesman, said that an SDP/Liberal government would not "automatically reverse" the 2p cut in income tax after the next election though the parties could not pledge themselves never to increase taxation. He expressed concern about "divisions" in British society.

After the budget, Page 12

Government unlikely to ease Westland's gap in order book

BY DAVID BUCHAN

THE GOVERNMENT looks set against bailing out Westland, the UK helicopter company, from its short-term order book problems, after a recommendation by the Ministry of Defence (MoD) for a new transport helicopter for the 1990s rather than the Black Hawk model which the company is currently assembling.

The MoD has decided in favour of ordering troop-carrying versions of the EH 101 helicopter family which the UK company is developing with Agusta of Italy.

It would therefore provide some immediate work for Westland's design team at Yeovil in Somerset, south-west England but would do nothing to stop expected redundancies among the company's 2,000-strong helicopter production workforce over the next three years.

Westland said yesterday it would await a formal government announcement before giving its public reaction. Mr George Younger, defence secretary, could make that announcement as early as this week before he leaves for a 10-day Asian trip, or in the first week of April in which parliament sits.

Westland has mounted a powerful lobbying campaign, supported by the Department of Trade and Industry, its sponsoring ministry, to get some MoD orders to cover what is so far a complete gap in its military helicopter order book between the end of 1988 and the expected start of EH 101 production in 1990/91.

WESTLAND'S TROOP-CARRIERS

	Prod. start	Weight (lbs)	Load (troops)
EH 101	1990/91 (est.)	30,000	30–32
Black Hawk	1987	18,000	14–16
Lynx	1977	10,000	10

In the run-up to a general election, the Government is sensitive to any controversy that echoes the ferocious tug of war over the financially troubled company in the winter of 1985/86. Sikorsky of the US and Fiat of Italy eventually beat off a rival all-European consortium for a stake in Westland, but two Cabinet ministers resigned in the row and allegations of political and financial impropriety have rumbled on ever since.

In addition to firmly ruling out any military need for the Black Hawk, the MoD is understood to be unenthusiastic about placing more orders for light Lynx helicopters, which Westland has sought to help fill its production gap.

Leyland £750m write-off scaled down by Brussels

BY TIM DICKSON IN BRUSSELS

BRITISH GOVERNMENT plans to write off £750m of accumulated losses and other costs at Leyland Trucks and Leyland Bus have been revised downwards by the European Commission.

In what represents an embarrassing setback for Mr Paul Channon, the Industry Secretary, a full meeting of commissioners yesterday gave formal approval for only a more modest package of £680m.

The sums involved – which have to be cleared by the Brussels executive under Article 92 of the Treaty of Rome – stem from the recent management buy-out of the Rover Group's Leyland Bus division and the merger between Leyland Trucks and Daf of Holland which was agreed last month.

The UK Government originally announced that it would be bearing costs of "up to £750m" as a result of the two deals and during negotiations with the competition directorate in Brussels initially requested the maximum amount.

"They asked for £750m at first but there were some points we were not happy with," a Commission official explained last night.

The lower figure was agreed after intense negotiations and subsequently announced in parliament by Mr Channon – but without any mention of the Commission's role.

Officials at the competition directorate in Brussels were apparently happy with the proposals for the bus division, but did not feel that Leyland Truck's parent company, which is keeping a 40 per cent equity stake in the new combined group, should be absolved of all its debt.

In approving the somewhat smaller package the Commission has taken into account the extent of Britain's contribution to rationalising the European truck manufacturing industry – which is still suffering severe over-capacity; the fact that the Rover board opted for a European company, Daf, rather than selling to the other interested party Paccar of the US, and the large number of jobs being lost in the regions of the Community.

UK NEWS

Lonrho fails to force Fraser deal scrutiny

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

LONRHO, the multinational conglomerate, has failed in an attempt to force Mr Paul Channon, the Trade and Industry Secretary, to refer the March 1985 takeover of House of Fraser, the Harrods stores group, by the Al-Fayed brothers to the *Monopolies and Mergers Commission* (MMC).

A High Court judge yesterday refused Lonrho, the chief executive of which is Mr Tiny Rowland, permission to seek judicial review of Mr Channon's failure to date to decide whether to order a reference.

Mr Justice Simon Brown said that it was premature to seek an order requiring Mr Channon to take a decision when his department had indicated on March 12 that he was "actively considering" the matter and that a decision was expected by the end of this month.

The judge added, however, that if a decision were delayed much beyond then, the court might consider imposing a time limit on Mr Channon.

Mr John Beveridge, QC, for Lonrho, had told the court that there were rumours in banking circles – which the Al-Fayeds had not denied – that they were going to sell most, if not all, of House of Fraser except Harrods.

Also, he said House of Fraser's latest accounts showed that the group was burdened with debts of £740m – substantially more than the Al-Fayeds had paid for it.

Mr Channon had conceded that there were serious matters requiring consideration. But for nine months he had failed to reach a decision about a reference in a matter in which there was, by inference, a prima facie case of fraud.

A reference to the Monopolies Commission would freeze House of Fraser's assets and preclude any disposals while the commission investigated.

Mr Beveridge said that the whole matter was shrouded in the darkness of the personal affairs and wealth of the Al-Fayeds, about which they had disclosed nothing – although they had compared their wealth to that of the Pharaohs rather than Saudi princes.

They had achieved the takeover on the basis of false assurances about their financial position, and the source of the money used for the takeover, about which Lonrho had given Mr Channon evidence.

"We say that if it is the case that there is fraud, it would be an administratively spectacular decision to leave the fraudsters in possession of their ill-gotten gains," Mr Beveridge said.

"Here we have a gross deception and the minister is apparently paralysed in knowing what to do about it." Mr Beveridge added that Lonrho had a great deal of evidence "of the extent of the roguery of these people."

The judge said that the next two weeks would be better devoted to Mr Channon reaching a decision rather than preparing for a court case. If his decision was against a reference, Lonrho might be able to challenge it as being unreasonable.

Mr Channon was not represented at the hearing.

Guinness on Jersey trail of £5.2m

By Raymond Hughes

GUINNESS and its lawyers were last night studying the latest information disclosed about the trail of the £5.2m paid to a nominee company in Jersey, apparently for the benefit of Guinness director Mr Thomas Ward.

Following an order made by the Royal Court in Jersey last week, Mr Michael Dee, chairman of the Jersey company, Marketing and Acquisition Consultants, has given Guinness more details of the money which, he has said, was payment for "consulting services" provided by Mr Ward during Guinness's takeover of Distillers.

Mr Dee has disclosed that £4.7m went eventually to the Swiss bank account of a company named Interswiss Corporation.

Another $320,000 went to a trustee account at the Connecticut National Bank, £50,000 to a Swiss bank account for a company called Public Presentations, $165,000 to Mr Ward personally and $100,000 to Mr Ken Lazarus, Mr Ward's partner in the New York law firm of Ward Lazarus Grow and Cihlar.

At the last court hearing it was said by Guinness that £26,400 had been paid by way of fees to companies in Mr Dee's Europlan group, with which Marketing and Acquisition Consultants is associated, and $90,000 to a firm called Martin Bird and Associates.

Guinness sought more information about the identity of Martin Bird and Associates but it is not known whether that is included in Mr Dee's latest disclosures.

According to Mr Dee, only about £3,000 of the £5.2m – about which, Mr Dee says, he took all his instructions from Mr Ward – remains with Marketing and Acquisition Consultants. Mr Dee has also said that Mr Ward is the biggest beneficiary of Marketing, the issued shares of which are held by Mr Dee and two Europlan companies.

Guinness will now have to decide whether Mr Dee's latest information is sufficient for it to shift its attempts to recover its missing millions away from Jersey.

If it is not satisfied that Mr Dee has fulfilled his obligations under last week's disclosure order, it could return to the Royal Court and argue that he is in contempt.

Industry slow to respond to Environment Year

BY ANDREW TAYLOR

TREE PLANTING, children's essay competitions, local authority anti-litter campaigns and national awareness weeks will form part of Britain's contribution to European Year of the Environment which starts on Monday.

The UK campaign, which has attracted wide support from local authorities, voluntary organisations, environmental groups – but, so far, less interest from industry and commerce – was officially launched yesterday by Prince Charles.

Events sponsored by private companies include: a schools essay competition sponsored on behalf of the Acid Rain Information Centre by Johnson Matthey; a schools environment competition sponsored by BP; and a series of best-kept villages competitions sponsored by Calor Gas.

Mr Martin Couchman, director of the UK European Year of the Environment committee, said industry was still just getting to know about environment year but there were schemes coming forward from companies.

Mr Tom Burke, another member of the committee and director of the environmental group The Green Alliance was more forthright: "Here is a great opportunity for companies anxious to change the anti-industry attitudes of the public, a central theme of Industry Year, and they are missing it."

Features of the next 12 months will also include a host of open days, special campaigns, educational courses, concerts, conferences, and guided walks through the countryside.

Today marks the official start of the campaign in Northern Ireland with a tree planting ceremony by representatives from each of the 12 member states in the European Community.

The Welsh and Scottish campaigns start on Saturday with a concert, music on an environmental theme, in Cardiff and a series of guided walks in Scotland.

Other features will include European Community-wide awareness weeks on the themes of birdwatching (European bird day is on May 24); clean beaches week (July 26 to August 1); forest, woodland and water weeks in September and recycling week in October.

The Community is also sponsoring four awards for industry to do with pollution abatement technology, green product design, good environmental management and an award for export of an "appropriate environmental technology."

The committee in the UK has a budget of £600,000 out of a total fund of £7.3m set aside by the European Community to support Environment Year.

The calendar of events and functions to coincide with environment year in the UK includes open days at refuse works organised by Birmingham City Council.

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UK NEWS

John Griffiths reports on legal wrangles which still surround a GM subsidiary

Ghost of De Lorean haunts Group Lotus

MESSRS Alan Curtis and Michael Kimberley, chairman and chief executive respectively of Group Lotus, should be happy men.

They have been promised all the funds they need for their £54m, six-year development plan for the sports cars and engineering group. The plan provides for new models, a new factory and an expansion of Lotus's engineering consultancy.

Instead, the pair give the impression of being haunted – and with good reason.

For the ghost of the abortive De Lorean sports car project in Belfast is abroad once more, and may yet disrupt Lotus's future.

Until recently, it had looked as if clear blue skies were opening over Lotus after years of financial stringency.

Admittedly, Lotus had lost its year-long poker game with the Department of Trade and Industry, which refused to be persuaded that offers of aid from Canada, the Netherlands and Austria (among others) to set up the new plant were sufficient reason for the DTI to offer Lotus UK government funds.

But the new-found willingness of General Motors, Lotus's parent since early 1986, to bankroll the expansion (despite loud proclamations at the takeover that Lotus would be left to fend entirely for itself) means that by 1991–92 Lotus should be producing 5,250 cars a year, over six times as many as it does now.

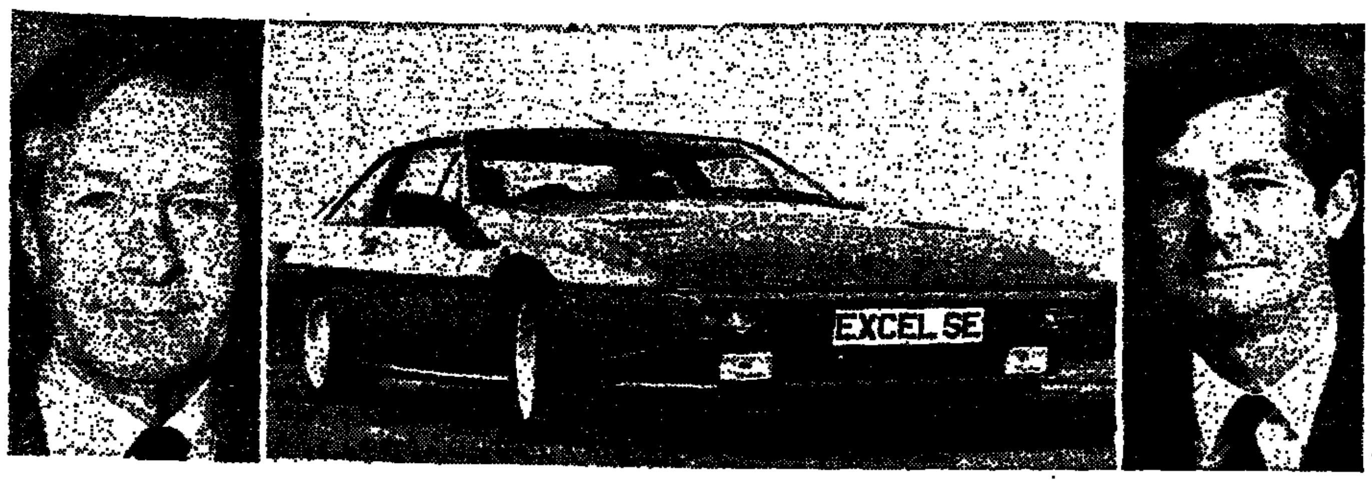
Most will come from a new plant where Mr Curtis and Mr Kimberley wanted it: alongside Lotus's existing facilities at Hethel, Norfolk, in the east of England.

By 1991–92 Lotus should also be employing 2,000 Britons, not the current 900.

However, any day now, Lotus will receive from its lawyers a legal opinion on how to respond to a renewed Inland Revenue offensive against Lotus linked to the De Lorean venture, in the form of an £85m protective tax assessment.

The assessment, when first delivered in 1984, represented more than four years of total turnover. It appeared designed to shock Lotus into laying itself completely bare to an investigation of what happened to $17.65m (£11.14m) missing from the De Lorean project.

It was deplored by Mr David Wickins, then the head of British Car Auctions and chairman of Lotus at that time. He saw it simply as an avenue through which the Revenue might probe the real target: the relationship of the late Lotus founder, Mr Colin Chapman, and his private interests, with the De Lorean project.



Expansion plans of Alan Curtis (left) and Michael Kimberley include a new luxury sports car, the M100, to join the Excel SE (above)

The funds, mostly from private American investors, were paid into a Swiss company, GPD Services, for passing on to Lotus as payment for developing the gull-winged two-seater. None of this money, however, was received by Lotus.

In the words of Sir Kenneth Cork, of Cork Gully, who was appointed by the Government as the Belfast manufacturing company's receiver, it "went walkabout". Lotus was paid, instead, wholly with UK government funds by the Belfast subsidiary of Mr John De Lorean's New York-headquartered cars company.

Rightly, Mr Wickins was able to point out that Group Lotus itself had already been gone over with a fine-tooth comb by the Revenue itself, Department of Trade and Industry inspectors and three firms of accountants.

Tax appeal commissioners threw out the assessments shortly afterwards.

With last year's approaching US federal trial of De Lorean on racketeering and fraud charges – and a wide assumption that all about the missing millions would be explained – two considerations faded from the public view:

First, was the consideration that the Revenue had appealed to the High Court against the lifting of the £85m assessment.

Second was the fact that a writ for damages served early last year against Lotus, Chapman confidant and former Lotus chairman Fred Bushell, and the Chapman estate is still a live issue, even if not yet proceeded with.

The writ accepts that Group Lotus received none of the missing funds, but alleges that it was nevertheless liable "in connection with an alleged procurement of funds for the benefit of Messrs De Lorean, Chapman and Bushell".

A further dimension has been injected into the saga by De Lorean's acquittal on all counts in December, after the jury was persuaded that $8.5m of the GPD funds which passed into his hands were not embezzled but a legal loan from Mr Chapman. GPD Services at the time was controlled by Chapman, De Lorean's defence asserted.

Mr De Lorean's troubles may be far from over: He still faces more than 20 civil lawsuits arising from the collapse of the British subsidiary, which cost the UK Government £70m, and $20m of De Lorean's assets remain frozen in Detroit by the UK Government, pending renewed bankruptcy proceedings against De Lorean.

Within days of his acquittal, the High Court in the UK came out in support of the Revenue's tax assessment appeal. Its ruling requires the tax commissioners to reconsider the assessments. Effectively, it puts the onus on Lotus to prove conclusively it had none of the money.

With Sir Kenneth Cork now seemingly further than ever from recouping the missing funds, there is little chance of their writ not being proceeded with.

Mr Curtis and Mr Kimberley, while refusing to talk publicly about the situation, are known to be furious on two counts.

The first is that renewed wrangling in public over the De Lorean fiasco is bound to impact unfavourably, yet again, on the company's image. Their predecessors blamed the unfavourable publicity of the first assessment for a six-month delay in relaunching Lotus in the US, from which it had been absent for several years.

The second is their suspicions that pursuit of both the damages writ, which seeks roughly the same amount as the missing funds, and the renewed tax action may have been influenced by ownership of Lotus passing to one of the world's largest and richest multinationals. In other words, that a combination of deep GM pockets and the conservative company's abhorrence of adverse publicity might provide fertile soil on the damages front.

Mr Curtis says that, with just eight full-time directors to run all aspects of the business, the probability, is that resources would be stretched so thin that something would have to give, and that could be areas of the development programme, which aims to create 1,100 jobs.

Lotus's executive directors' development task will be undertaken with no help, other than financial, from GM.

Work is to start in the next few weeks on the new plant to build the M100, an all-new two-seater to sell for around £12,000.

A major reorganisation is going on in the US, where Lotus has bought out its independent distributor and is hard at work expanding the network to cope with an envisaged 3,000 cars a year in 1991-92, compared with 189 shipments last year.

A new, 180mph supercar, the Etna, is also being rushed towards production. Lotus's engineering consultancy work is being expanded and a 10-year collaboration deal signed last month with Isuzu of Japan presents a demanding engineering challenge.

All these developments seem to confirm that GM is keeping to its word, leaving Lotus to find its own salvation and not simply using it as an extra in-house research and development arm.

"We have a really bright, really independent future – or we could have if people would let us get on with it," says Mr Curtis.

Tax change could hit big five insurance companies hard

BY NICK BUNKER, INSURANCE CORRESPONDENT

BRITAIN's big five composite insurance companies might have to pay the Government another £168m a year if the Inland Revenue goes ahead with plans to change their tax treatment, says a new report from Morgan Grenfell Securities, the stockbroker.

General Accident, the Perth-based insurer, would have to pay out perhaps another £51.3m, while Commerical Union would face an extra £41.5m tax bill.

The hypothetical figures are based on an analysis of insurance companies' 1985 loss reserves commissioned by Morgan Grenfell last July and carried out by Tillinghast, the consulting actuaries. It claims to be the most exhaustive analysis ever published of the big composites' loss reserves.

Such reserves have become a big topic for debate between the Inland Revenue and the non-life insurance industry. The Revenue has argued that companies are paying too little tax, because over-reserving against losses means that they declare smaller pre-tax profits.

Insurance companies set up reserves to provide for the total cost of settling claims they have already received, or expect to receive, on the basis of past claims experience. In 1985, the five major companies had a total of £2.6bn in loss reserves solely for UK insurance business, Morgan Grenfell says.

The Revenue has argued that companies should "discount" their loss reserves – a move that could increase their tax liability significantly. It would mean reducing their transfers to reserves to allow for the investment income the reserves will accumulate before claims are actually settled.

UK NEWS

OVERSEAS DEVELOPMENT 'MORALLY RIGHT AND GOOD FOR BRITAIN'

Minister sets aid quality target

BY PETER MONTAGNON, WORLD TRADE EDITOR

BRITAIN'S development aid effort should be justified not only by its amount, but also by its quality, Mr Christopher Patten, Overseas Development Minister, said yesterday.

"My modest ambition is to make the quality of our aid programme the best advocate of its steady growth as our economy strengthens," he told the Royal Institute for International Affairs.

In a broad-ranging speech on Britain's aid policy, Mr Patten sought to deflect both critics who see aid as buying short-term political and commercial advantage regardless of the developmental consequences, and those who complain that Britain spends too little with too many economic strings attached.

Aid could be both morally right and also good for Britain. However, there was a need to ensure that money was spent in the most effective way to secure long-term development advantage for recipients.

Among the longer term aspects were the environmental impact of development programmes, an area to which Britain would pay increasing attention, he said.

Britain's aid budget, which was at present about £1.3bn, was being steadily increased in real terms, although it was still well below the official United Nations target of 0.7 per cent of Gross National Product.

Britain retained this target as an objective, he said, but the cost of meeting it would be prohibitively expensive – in excess of £1.5bn over the lifetime of a parliament, he said.

Although the link between trade and aid was controversial, it was not unreasonable to expect benefits in the form of export orders.

"If a project or programme is sound, and if British goods are reasonably competitive, then I do not believe that tying [aid to trade] should of itself be regarded as objectionable. On the other hand, we must provide value for money; aid is not a subsidy for uncompetitive exporters," he said.

Noting that there was now a greater emphasis among recipient countries on market-orientated structural economic reform, Mr Patten said that a greater share of Britain's aid budget would be devoted in the coming year to policy reform in Africa.

This was not a question of "bloated capitalists" imposing economic reform on unwilling recipients to ensure their debts were paid, he said. "Policies are being changed because previous policies were unsustainable."

Britain believed that this trend was in the interests of the West. It would, therefore, examine more closely ways of using aid to support the private sector in developing countries, for example through the provision of loans and equity from the Commonwealth Development Corporation.

Mr Patten also said that Britain aimed to increase significantly the level of its support for agricultural programmes and support services in Africa.

Food aid had provided a "spurious moral justification" for the surplus-producing agricultural policies of Europe, North America and Japan, but it should "now provide what recipients need rather than what we in Europe wish to get rid of."

Pressure for curbs on used car trade

BY JOHN GRIFFITHS

ROGUE MOTOR traders continue to be a major problem for consumers, accounting for four out of every 10 licences suspended or taken away under the Consumer Credit Act, Sir Gordon Borrie, director general of the Office of Fair Trading (OFT), said yesterday.

All traders should be under a statutory obligation to provide a written statement about the condition of each used car for sale, he told a conference of the Institute of Trading Standards Administration.

A recommendation to this effect was contained in a 1980 report by Sir Gordon on the used car trade.

Despite not being adopted, it remained valid today, he told the conference.

He praised the efforts of the Motor Agents Association, which represents the bulk of the UK's franchised motor trade, to encourage members to comply with its code of practice. This requires a condition checklist to be displayed on each used car.

But he said it was unfair that MAA members shold have to comply with such a condition when non-members "down the road" were under no such obligation.

Stressing the role of the courts, Sir Gordon said he attached great importance to criminal sanctions being applied against rogue traders. But he complained that the vigilance of trading standards' officers was often not matched by appropriately severe penalties in the courts.

OFT statistics show 531 convictions against motor traders in the year ending September 1986, and 90 licence suspensions. Complaints about cars and accessories ranked second out of the nine categories of complaints to trading standards offices and Citizens Advice Bureaux, said Sir Gordon.

Mr David Gent, director general of the MAA, called at the same conference for measures which would require the recorded mileage of every motor vehicle to be logged at the vehicle licensing centre at Swansea annually, when excise licences were renewed. This would drastically reduce "clocking" offences – the turning back of mileometers – said Mr Gent.

Man who reshaped GKN to step down

BY NICK GARNETT

SIR Trevor Holdsworth, who masterminded during the past seven years the radical reshaping of GKN, is retiring as chairman of the automotive components and engineering group in May next year.

Announcing this yesterday, GKN said Mr David Lees, 50, the group's finance director who has been directly involved with GKN's strategic decision-making since 1982, will succeed Sir Trevor as chairman.

GKN, formally called Guest, Keen and Nettlefolds until last year, made it clear yesterday that this was an orderly transfer of authority over more than 12 months.

Mr Lees has been a member of the GKN board's policy committee for the past five years and might now have to face up to some further difficult decisions.

Some of the products for which GKN has been famous in recent years do not appear to have the growth potential they once had. In an interview this month Sir Trevor indicated that the group might have to move more purposefully into either manufacturing or services.

A mildly spoken Yorkshireman, Sir Trevor, as managing director of GKN during the 1970s, was largely responsible for preparing a strategy which would eventually change the shape and nature of a group, the sales of which were built on steel, forgings, nuts and bolts and heavy engineering.

Sir Trevor took over as chairman in 1980 just as the recession and the debilitating effects of an over-valued pound hit the group. That year GKN made a pre-tax loss of £1.2m against a profit of more than £100m the previous year.

Last week GKN announced profits of £132m, the same as 1985, on sales of £2bn and last year completed a number of business sales as part of a long process of restructuring.

GKN is now built around a core of relatively new businesses including high-technology automotive components, distribution of car parts, defence equipment like personnel carriers and the provision of industrial services and supplies from scaffolding to vending machines.

The drive to globalise its business has had a big geographic effect on sales, North America now accounting for 21 per cent of turnover as against 3 per cent in 1979.

Condition of roads 'in steady decline'

By Kevin Brown, Transport Correspondent

THE STRUCTURAL condition of roads in England and Wales deteriorated last year, and remains worse than when surveys started in 1977, the Government has admitted.

The National Road Maintenance Condition Survey, published by the Transport Department, shows that conditions have deteriorated steadily since 1980.

The only bright spot in the report is a slight improvement in the condition of trunk roads, after a dramatic deterioration between 1983 and 1985.

The condition of urban principal roads continued to worsen, however, and there was a sharp deterioration in minor rural roads.

Mr Peter Bottomley, the minister for roads, said the Government was committed to catching up on the backlog of maintenance on national roads by 1992.

The allocation for spending on the national roads network was increased in the Autumn Financial Statement from £894m to £942m for the current financial year, and to £988m in 1988-89.

Much of the increase will be swallowed up by improvements to the M25 motorway and Channel Tunnel related road construction in Kent, however.

The Chancellor of the Exchequer also increased the allocation for road maintenance by local authorities from £1,090m to £1,260m in the current year. A large part of this increase will be required to put right damage caused by two successive hard winters.

Mr Bottomley said the funds available at national and local levels meant there was a good prospect of eliminating the effects of past neglect on the road system in the next five years.

But Mr Peter Witt, director of the British Road Federation (BRF) said the report painted "a shameful picture." He thought that the survey justified the BRF's call for an immediate and sustained increase of 10 per cent in spending on trunk road maintenance, and 30 per cent for local roads.

National Road Maintenance Condition Survey 1986, available from: Department of Transport, Publication Sales Unit, Building 1, Victoria Road, South Ruislip, Middlesex. Price £4

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1985							
3rd qtr.	108.3	103.9	104	116.1	145.2	3,124	164.4
4th qtr.	108.4	103.6	106	116.7	177.7	3,122	168.2
1986							
1st qtr.	109.1	102.5	105	118.2	145.4	3,171	186.5
2nd qtr.	109.3	103.5	105	120.0	152.7	3,208	175.6
3rd qtr.	110.6	104.6	106	122.1	157.4	3,212	200.2
4th qtr.	109.6	106.0		124.8	192.5	3,143	213.0
July	110.2	104.5	103	120.9	158.2	3,223	193.2
August	111.1	104.2	103	122.0	155.2	3,219	201.1
September	110.6	105.1	113	123.2	158.7	3,193	206.4
October	110.6	105.5	108	123.2	164.7	3,166	212.3
November	110.1	106.1	116	126.4	182.1	3,145	215.2
December	109.4	106.3		125.0	223.2	3,119	216.0
1987							
January	109.8	103.9		122.3	157.4	3,119	210.3
February				125.0			

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Consmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1985							
4th qtr.	103.7	102.7	113.5	103.2	114.0	102.4	15.6
1986							
1st qtr.	103.0	101.2	115.4	101.4	110.3	102.7	14.2
2nd qtr.	104.5	100.5	115.4	102.0	116.0	103.5	19.3
3rd qtr.	105.6	101.1	117.2	103.0	107.6	101.3	18.9
4th qtr.	106.6	102.1	115.0	104.9	115.7	101.9	15.87
July	105.4	101.3	116.5	103.0	109.0	101.0	20.8
August	106.1	100.1	118.5	102.0	107.0	103.0	16.6
September	106.0	101.3	116.7	104.0	107.0	102.0	19.4
October	105.7	102.3	115.7	104.0	113.0	103.0	19.2
November	107.3	101.7	115.2	105.0	117.0	103.0	17.2
December	106.2	102.2	114.2	106.0	113.0	100.0	10.6
January	105.3	100.7	116.0	104.0	110.0	100.0	11.6

EXTERNAL TRADE—Indices of export and import volume (1980=100); viable balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1985							
4th qtr.	119.6	123.0	−171	+725	+1,984	101.6	15.54
1986							
1st qtr.	117.5	124.9	−1,227	+759	+1,399	101.0	18.75
2nd qtr.	121.0	128.8	−1,551	+303	+772	102.6	19.20
3rd qtr.	122.6	138.5	−2,673	−620	+646	103.1	20.14
4th qtr.	130.5	143.4	−2,692	−802	+846	100.8	21.97
July	125.7	136.2	−659	+ 92	+290	103.4	19.66
August	115.9	139.9	−1,383	−682	+159	103.8	18.93
September	126.2	139.3	−631	− 80	+258	102.3	22.43
October	127.0	139.6	−715	−115	+226	101.5	21.99
November	132.3	146.7	−1,060	−400	+354	100.9	22.01
December	131.6	143.9	−887	−287	+266	100.1	21.92
1987							
January	125.0	131.2	−527	+ 73	+371	100.2	21.95
February							22.25

FINANCIAL—Money supply M0, M1 and sterling M3 (three months' growth at annual rate), bank sterling lending to private sector, building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end-period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	HP lending† £m	Base rate %
1985							
4th qtr.	2.9	17.0	12.9	+5,378	2,200	3,436	11.50
1986							
1st qtr.	4.1	21.4	19.3	+6,203	2,220	7,375	11.50
2nd qtr.	3.1	25.9	27.3	+6,450	1,435	3,739	10.00
3rd qtr.	5.9	30.7	15.5	+6,942	165	8,223	10.00
4th qtr.	7.6	15.6	14.1	+10,836	2,814	8,178	11.00
July	5.4	35.1	20.6	+3,314	387	2,685	10.00
August	5.7	22.0	8.2	+2,750	452	2,668	10.00
September	6.6	35.5	18.2	+878	−671	2,579	10.00
October	6.3	28.2	14.9	+3,520	1,951	2,759	11.00
November	6.4	29.5	19.3	+3,875	180	2,635	11.00
December	11.0	−1.1	8.5	+2,981	763	2,784	11.00
1987							
January	10.8	17.1	12.6	+1,745	456	2,864	11.00
February							11.00

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1974=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1985							
4th qtr.	176.9	132.6	141.4	378.1	337.4	1,771	79.3
1986							
1st qtr.	179.1	132.4	143.4	380.8	342.3	1,813	75.1
2nd qtr.	184.0	125.8	145.7	385.7	349.5	1,453	76.1
3rd qtr.	187.4	120.8	146.3	386.1	348.1	1,544	71.9
4th qtr.	191.0	127.4	147.4	391.0	348.3	1,637	68.2
July	187.9	119.8	146.0	384.7	347.4	1,460	74.0
August	187.2	120.2	146.3	385.9	348.6	1,461	71.4
September	186.8	122.4	146.7	387.8	348.2	1,544	70.4
October	188.3	124.3	147.0	388.4	347.6	1,600	67.8
November	191.2	127.5	147.4	391.7	347.5	1,617	68.5
December	193.4	130.4	147.9	393.0	349.8	1,637	68.4
1987							
January		131.8	148.8	394.5	354.0	1,694	68.8
February		129.5	149.3			1,586	69.0

* Not seasonally adjusted.

† From January 1986 includes amounts outstanding on credit cards.

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APPOINTMENTS

New corporate finance post at Peat Marwick

PEAT MARWICK has appointed Mr David Carter as head of corporate finance services. This is the first time the firm has made such an appointment. He will co-ordinate the corporate finance services, embracing new issues, venture capital, management buy-outs, 3rd market, acquisition advisory services and merger and acquisition support activity. Mr Carter, who joined Peat Marwick in 1964, leads the firm in its work on management buy-outs, having personally handled eight of the 72 management buy-outs to date in excess of £10m.

★

AMETALCO has appointed Mr Kenneth Christopher Davies, Mrs Helen Gertrude McCall Feeney and Mr Thomas Galen Johnston as directors. Mr David George Bell has resigned from the board.

★

There have been a number of changes at C. T. BOWRING & CO subsidiaries: at C. T. Bowring & Co (Insurance) Mr G. Stangroom and Mr J. Nightingale have been appointed directors; at Bowring Aviation Mr Stangroom, Mr R. Sanderson, Mr Nightingdale and Mr G. R. Capel Cure have become directors following the retirement of Mr D. H. Mead. Mr A. F. Fortescue has been appointed chairman of Bowring Marine and Energy Insurance Brokers, in addition to his current responsibilities as chief executive. Mr Mead has retired but will continue to act as consultant to C. T. Bowring & Co (Insurance).

★

Mr Tim Leibe has joined new transatlantic holiday specialist TRANSAMERICA HOLIDAYS as managing director. Previously he was sales manager of Horizon Holidays.

★

Mr John Hudson and Mrs Irene Zalessky have been appointed directors of BARCLAYS DE ZOETE WEDD EUROPE and Mr Peter Hillier a director of BARCLAYS DE ZOETE WEDD RESEARCH.

★

Mr David J. M. Arnold and Mr Roger A. Mills have joined the board of W. S. MOODY HOLDINGS. Additionally Mr Mills has been appointed deputy managing director. Mr Carl Goldsmith, a partner of Hill Dickinson and Co, solicitors, has been appointed to the board to replace Mr Neil Falkner. At Hinton Hill Group, Mr David J. M. Arnold becomes deputy chairman and Mr Mills deputy chief executive. Mr Cliff E. Dyball joins the board. At Hinton Hill Marine, Mr Mills becomes executive chairman and Mr Dyball becomes managing director. Mr Roland J. Dawe is appointed an associate director and Mr Simon N. Fox is made an assistant director. Mr J. John Shaw has relinquished his chairmanship but remains a director. At Delta Marine and Aviation Insurance Brokers, Mr Mills becomes executive chairman and Mr Dyball is appointed managing director. Mr Shaw has resigned as a director.

★

BROWN SHIPLEY (JERSEY) has appointed Mr Robert J. Sackley as chief accountant. He was with Kleinwort Benson (Jersey), where he was accountant.

★

LOGICA has appointed Mr Peter (Steve) Stevenson to the main board as executive director. He is chief executive of the US subsidiary, Logica Systems Inc, and will continue in this role.

★

Mr Charles Orange is to be the new finance director of ABP HOLDINGS from May 3 upon the retirement of Mr Alan Tomsett and will be joining the board as an executive director. Mr Tomsett will be relinquishing his full-time directorship but will remain on the board as a non-executive director. Mr Orange was appointed finance director of the company's port services subsidiary Associated British Ports in February 1985.

★

THE NORWICH UNION LIFE INSURANCE SOCIETY has appointed Mr Roger Bellinger to be assistant general manager (client services), and Mr Tom Kelly to be assistant general manager (sales and marketing).

★

BARRY - WEHMILLER has appointed Mr Ray Gawn as director of sales and marketing for its Inex range of packaging inspection products.

★

Mr Keith J. Shackell has been appointed a deputy chief executive and general manager, banking and administrative services of NATWEST AUSTRALIA BANK based in Sydney. This is a new post. Mr Shackwell was financial controller of National Westminster Bank's international banking division, based in London.

★

Mr Bernard Scott has been appointed an assistant general manager in BARCLAYS BANK'S central management services department. He was previously assistant general manager in the bank's stationery department.

★

Mr Duncan Abbot has joined the board of QUIGLEY & ASSOCIATES as a non-executive director. Mr Nigel Powers Jones will join the board on April 1 as an executive director. Mr Abbot is corporate finance executive at British & Commonwealth Holdings. Mr Powers Jones is joining the board from Dewe Rogerson, where he is a director.

★

Mr J. D. Abell, chairman and chief executive of Suter, has been appointed a director of THE BANKERS' INVESTMENT TRUST.

■ *BUSINESS LAW*
WEST GERMANY

Beer and an EEC hangover

By A. H. HERMANN, Legal Correspondent

AFTER A five-year struggle to uphold the purity of beer drunk in Germany, the German government had to concede defeat in the European Court on March 12.

German breweries will remain bound by the 470-year-old *Reinheitsgebot*, according to which beer must contain only melted barley, hops, yeast and water. But the German market will be opened to French, Dutch and Belgian breweries which use all sorts of additives.

The European Court may well be right that these additives do not seem to have caused much harm to the European beer drinkers. But this is not a judgment the European Court is called upon to make. The question it had to answer is solely a question of law: whether Germany is entitled to impose stricter quality requirements than other member states.

Reiterating its *Cassis de Dijon* decision, the court said that with some exceptions, member states must admit EEC products which satisfy the quality standards of their country of origin.

This goes too far: there is no justification for it in the EEC Treaty and it will be overruled by the Single Act which allows member states to apply stricter standards even when a Community standard has been agreed by a majority vote in the Council of Ministers.

The question of law may be arguable, but the politics of the decision are clearly wrong. For Germans, beer is an emotional subject. The breweries lobby is extremely influential. The present electorate is no longer willing to take EEC institutions on trust.

To understand the change which German attitudes to community law are undergoing at present, it is necessary to realise that, like so many things in Germany, it is very much a generation problem. The generation which lived through 1918 and 1945 and learned that great schemes and ambitions may lead to a catastrophic bang has faded out from the scene.

For the past 20 years the world has got used to the generation of Germans who started their active life after 1945 — an optimistic generation, conditioned by the economic miracle and the new respectability gained by memebrship in the West European Community and Nato. This generation feels that the new institutions established at home and in Europe with great effort must be protected, cultivated and strengthened. However, the people who feel like this are now in their early 60s, approaching retirement.

But the young people now crowding into the electoral register entered active life *after* the economic miracle. As they see it, the new German and European institutions are part of the establishment which they find either boring, square, suspect or, in any case, much too secure and snug. The extreme factions, whether green, red or brown, reflect in an exaggerated manner the generally more critical attitude of this generation.

Since it is this generation which will decide the next election, Bonn must take account of it.

This is the reason why one should not take Germany's past record of total support of EEC institutions for granted. Community law has been so far taken in Germany not only seriously, but with a religious fervour. The legalistic structure of the EEC is largely a German product. The Commission's competition and internal trade departments, its legal service was greatly influenced by German officials, hard-working, intelligent and devoted to the idea of a European *Rechtstaat* after a German model. The enforcement of competition rules, the system of agricultural subsidies, the misfired attempt to create detailed EEC industrial standards, were all inspired by German experience. The coal and steel community, the sugar directorate are successors of pre-war international cartels in which Germany had a leading role. Even the green rate of exchange reminds us of Dr Schacht's 18 different exchange rates for the D-Mark of the 1930s.

Germany not only took a major part in formulating Community law, it has also shown the greatest respect for it. According to the European Court, it failed in its Treaty obligations only 14 times out of the total of 181 such failures for all member states, in which Italy led with 81, followed by Belgium with 26.

Until recently, German courts were the most prolific source of requests for a binding interpretation of Community law by the European Court. Out of a total of 1,535 such references from national courts which reached Luxembourg by the end of 1986, more than one-third came from Germany—more than twice as many than from France. But last year, the number of references from both these countries was halved compared with 1985.

The German courts also adopted a Community stance in cutting down trade mark rights in favour of "parallel importers" in decisions which were sometimes very painful to German pharmaceutical industry. Only last month, the Federal Supreme court rejected the complaints of the pharmaceutical industry against an agreement between public health insurance bodies and the Association of Pharmacists, according to which patients will be supplied with German products bought cheaply on the price controlled Italian market and re-imported into Germany.

Last October, the German Federal Constitutional Court paid an even greater tribute to the Community's legal system. It over-ruled its 1974 decision, BVerf GE 37, 271, declaring that *as long as* the Community has no bill of rights and no democratically elected parliament, the Court will protect German residents against the infringements of their fundamental rights by Community secondary legislation and administrative decisions.

The European Court never admitted the correctness of this German decision, but has since studiously stressed that it respects both the principles of law valid in member states and the European human rights convention. This good behaviour of the Luxembourg judges persuaded the Constitutional Court to reject a complaint by a German importer of mushrooms who claimed that the refusal of an import licence for Korean mushrooms at a time when, as he alleged, prices of French mushrooms were soaring, represented an abuse of the Commission's power and infringed the guarantees of legal security and proportionality as well as several other articles of the German Fundamental Law.

The Constitutional Court referred to the developments which have taken place in the Community since its 1974 decision and held that "as long as the Community and the European Court in particular provide effective protection of fundamental rights," it will not exercise its own jurisdiction in the area of Community law.

This second "as-long-as" decision, representing the ultimate subordination of German law to that of the Community, was now subjected to a severe test by the Commission's attempt to search the Frankfurt office of Hoechst without a court warrant. The Commission suspects Hoechst of participation in a polyethylene cartel. The German Federal Cartel Office, asked for assistance, applied for a court order but was refused. Piqued by the Commission's failure to divulge reasons for its suspicion, the Cartel Office did not appeal. In the meantime, Hoechst obtained an injunction stopping the Commission's inspectors in their tracks. The Commission retaliated by imposing on Hoechst a daily fine of Ecu 1,000. Hoechst appealed to the European Court.

A leading German official explained to me that in his view Regulation 17/62 gives the Commission no power to search the filing cabinets as it desires, but only to ask for documents and inspect them. He also said that a dawn raid without a court's warrant is contrary to a fundamental principle of law respected by all member states. "What will you do if the European Court overrules your objections and takes the side of the Commission. Does not the second as-long-as decision of the Constitutional Court bind your hands?" I asked. "You overlook that it is only an 'as-long-as' decision. If the European Court ignores such a fundamental right, our Constitutional Court will again spring into action," was the answer indicating that the European Court is now on probation.

Next week: The paternalistic attitude to insurance.

Company Notices

The Notice which appeared on page 21 of the Financial Times on 13th March, 1987 was published in error and should be disregarded.

All of the outstanding Bonds will be redeemed on 15th April, 1987 as detailed below.

Telefonaktiebolaget LM Ericsson

U.S.$30,000,000

8½ per cent. Bonds 1989

NOTICE OF EARLY REDEMPTION

On behalf of the Issuer, S. G. Warburg & Co. Ltd. hereby gives notice to holders of the above-mentioned Bonds of the Issuer's election to redeem all outstanding Bonds on 15th April, 1987, in accordance with Condition 3(c) of the Bonds.

Consequently on 15th April, 1987 there will become due and payable upon each Bond outstanding 100¼ per cent of the principal amount thereof, together with accrued interest to said date, at the office of:-

S. G. Warburg & Co. Ltd.
Paying Agency, 6th Floor,
1 Finsbury Avenue,
London EC2M 2PA

or at the office of one of the other paying agents named on the Bonds.

Interest will cease to accrue on all Bonds on 15th April, 1987. The Bonds should be presented for payment together with all unmatured Coupons, failing which the amount of any missing unmatured Coupons will be deducted from the sum due for payment.

Any amount so deducted will be paid against surrender of the relative missing Coupons within a period of 10 years commencing from the relevant date as defined in Condition 6.

Bonds and Coupons will become void unless presented for redemption or payment within a period of 10 years (in the case of Bonds) and of 5 years (in the case of Coupons) from 15th April, 1987.

This notice first appeared in the Financial Times of 2nd March, 1987.

19th March, 1987

RAND MINES GROUP

RAND MINES

ANNUAL GENERAL MEETINGS

NOTICE IS HEREBY GIVEN that the annual general meetings of the undermentioned companies will be held in the auditorium, lower ground floor, The Corner House, 63 Fox Street, Johannesburg, on the dates and at the times shown:

Name of Company (Both of which are incorporated in the Republic of South Africa)	Date of Meeting	Time of Meeting	Closure dates of Registers of Members (inclusive)
Durban Roodepoort Deep Limited (Registration No. 01/00926/06)	9 April 1987	09h45	3 April to 9 April 1987
East Rand Proprietary Mines Limited (Registration No. 01/00773/06)	9 April 1987	10h30	3 April to 9 April 1987

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote on a poll and speak and act in his stead. A proxy need not be a member of the company.

Holders of share warrants to bearer who desire to attend or be represented at the meeting must produce their share warrants or a certificate of their holding from a banker or other approved person at the bearer reception office in the United Kingdom, or they must produce their share warrants at the office of the Paris correspondents, in both cases at least five clear business days before the date appointed for the holding of the meeting and shall otherwise comply with the "Conditions governing share warrants" in force. Upon such production a proxy form or an attendance form will be issued under which such share warrant holders may be represented at the meeting.

Holders of share warrants to bearer may obtain a copy of the annual report and accounts upon application to 40 Holborn Viaduct, London EC1P 1AJ.

By order of the Boards
RAND MINES (MINING & SERVICES) LIMITED
Secretaries
per V. M. Morton
Administrative Manager and Secretary

Registered Office:
15th Floor, 63 Fox Street,
Johannesburg 2001.
(P.O. Box 62370
Marshalltown 2107)

4 March 1987

RIGGS NATIONAL CORPORATION

US$60,000,000

FLOATING RATE SUBORDINATED NOTES 1996

In accordance with the provisions of the Notes, notice is hereby given that for the period March 18, 1987 to June 18 1987 the Notes will carry a rate of interest of 6¾ per cent per annum with a coupon amount of US$172.50.

CHEMICAL BANK
as Agent

UK NEWS—AFTER THE BUDGET

Lawson chooses gradualist theme

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

Ashley Ashwood

Nigel Lawson: 'The fag-end of a parliament is not a time to embark on tax reform'

IT IS the general state of the economy (the best for decades) that matters, not the impact of any individual budget, was the message yesterday from Mr Nigel Lawson, the Chancellor, in the aftermath of Tuesday's Budget.

Caution, prudence, gradualism were the words he most frequently repeated.

In his traditional post-Budget briefing for financial journalists at No 11, Downing Street, the Chancellor was more subdued than in previous years. Press commentaries suggesting that Tuesday's measures had been unexciting, that his delivery had been faltering, seemed to have taken at least some of the shine off his usual post-Budget ebullience.

Mr Lawson was clear, however, over why he had used more than half of his scope in the Budget to reduce borrowing rather than to make one leap to the Government's eventual aim of a 25p basic rate of tax.

"I considered that this was right in economic terms, that this was the right balance. I think it happens to be the right balance politically too, incidentally." And then: "I think that in economic management gradualism is always best . . . Gradualism and steadiness should be the keynotes of economic policy."

In any event, a ½ point cut in the base rates, an imminent fall in the cost of mortgages, and the fact that the Budget had helped to keep all of the Government's general election options open could not be all bad.

The Chancellor also deliberately kept his own options open on further reductions in borrowing costs. "I think it right to be cautious and careful and prudent," he said.

But did that rule out a further half-point reduction in rates? "I don't think we should rush anything," was the consciously oblique reply.

The area where the answers were most interesting, however, concerned the shift in sterling policy since last month's agreement between leading industrial nations to promote a period of stability on foreign exchange markets.

As a starting point, Mr Lawson said: "I would like to see sterling stay round about, where is it now." Did that mean there was now a formal tarket range for the pound?

He chose his words carefully: "Unless you are part of a formal exchange rate mechanism, which we are not, then tactics in the foreign exchange market are assisted if you don't try to be too precise."

That, however, did not necessarily rule out an unpublished target range guiding policy within the Treasury, the Chancellor agreed — although he would neither confirm nor deny it. It was "certainly conceivable" that there were more precise private objectives. Full British membership of the European Monetary System ahead of the general election, though, was "highly unlikely."

If Mr Lawson was relatively subdued, he was as acerbic as usual.

He dismissed any suggestion that the budget may have lacked flair perhaps because it was shaped by the Treasury knights, by the residents rather than the tenants of Great George Street.

"The Budget was entirely by me, I can assure you, like all the previous Budgets. I can't think of anything off hand . . . there must have been something in it which the Treasury knights contributed but I can't offhand think of anything."

He also took a sideswipe at those senior officials in the Treasury who last autumn had advised him there would be no room at all for tax cuts and that any available cash in the Budget should be used to reduce borrowing.

Mr Lawson said he had expected then that there would be some undershoot in this year's £7bn public borrowing target (though admittedly not as large as the £3bn now apparent). The Treasury's officials, however, predicted an overshoot.

That view had been "completely ridiculous" but since the forecasters were "up the pole," the safest thing to do had been to stick with the original forecast.

Mr Lawson acknowledged the Budget had lacked some of the reforming characteristics of his first three, that beyond the reduction in the public sector borowing requirement and the basic rate of tax it was about "cleaning up."

"The fag-end of a parliament is not a time to embark on tax reform. Nobody does that," he said.

Looking ahead, the Chancellor was confident he had left the way open for an election whenever the Prime Minister chose. The absurd pre-election fever already underway meant it was more likely this year than next, but it was for Mrs Thatcher to decide.

The Chancellor was also deliberately vague on the budget priorities of a third term. He had not decided, he said, whether to go ahead with the plan outlined in last year's green paper to replace the married man's income tax allowance with single transferable allowances.

On a further switch from income to value added taxes, he was open-minded: "We will have to see what is the right balance . . . . I have no preconceived view." In one sense, a shift would continue automatically because: "All the room for reductions in taxation will I would imagine be on the side of direct taxes and, in particular, on income tax."

If and when the goal of a 25p basic rate is reached what would be the next target? One journalist suggested it might be 15p. Mr Lawson was not going to be drawn. "I think that's very ambitious, I think I'll leave that to the Americans . . . the new aim will be revealed when we have achieved the old one."

Finally, if this was to be the last Budget of the present parliament, would it be the Chancellor's last? "I'm reasonably relaxed" was all that question could elicit.

PEPs fail to live up to expectations

By Hugo Dixon

MR NIGEL Lawson, the Chancellor, gave the impression in his Budget speech that personal equity plans, launched at the beginning of this year, had been a great success. This impression is not entirely borne out by the facts.

"In the first month of the scheme, more than 2,000 people a day took out personal equity plans, many of them first-time investors, as I had hoped," said Mr Lawson.

While not technically inaccurate, the statement was misleading. Three months into the scheme, nothing like 2,000 people are taking up the plans each day and the vast majority of those who are already invest in the stock market.

The Treasury says Mr Lawson got his figure of more than 2,000 a day from an Inland Revenue survey which showed there were 70,000 plans at the end of January. The Inland Revenue has not done an undate, but a straw poll by the Financial Times of four of the largest players in the market shows that interest in PEPs has dropped off sharply since then.

Lloyds Bank, probably the largest player, had sold 17,000 plans by the middle of January, but had only managed to increase the figure to 25,000 by yesterday. Barclays Bank, which refused to disclose its figures, said: "People are not as enthusiastic as they were."

The conclusion that the vast majority of PEP buyers already own shares is reinforced by three pieces of circumstantial evidence.

First, all four managers interviewed reported that most PEP buyers were putting in lump sums, rather than paying monthly instalments, and investing the maximum of £2,400. People who can afford this sort of investment are probably relatively wealthy.

Second, Fidelity said it had its best response to adverts it placed in the financial rather than general pages of newspapers and the pattern of response was exactly the same as the response to its unit trust adverts.

Third, Fidelity said substantial amounts of business were coming from brokers, and brokers were selling PEPs to their existing clients.

Bankers and industrialists see moves in right direction

BY ANDREW TAYLOR

A SAFETY FIRST Budget that will please the voters and the City but will do little to create jobs were among the general impressions of bankers, industrialists and pressure groups the morning after the Chancellor's speech.

Mr Christopher Johnson, chief economic adviser to Lloyds Bank, said the Budget was a vote winner. It was short and simple enough for most of it to become law before a summer election.

The decision to restrict the cut in income tax to 2p and lower the public sector borrowing target from £7bn to £4bn—together with expected interest rate cuts and the surprising decision not to raise excise duties—would cut 0.7 per cent off the inflation rate and prevent it from rising to 5 per cent in mid year.

The 2p cut in the basic rate of income tax will give the maximum benefit to middle income earners, said Mr Johnson. Lower income earners would have been helped more if increases in main personal allowances had been allowed to rise by more than the indexation for inflation.

"The Budget does little for unemployment, which could have been more sharply reduced by increasing public expenditure than by cutting taxation," he said.

Lloyds Merchant Bank described Mr Lawson's speech as a "safety-first" Budget designed to please the voter, but not in an obvious or risky way.

"The markets should love this Budget. Base rates should quickly drop by 1 per cent and a further fall by June is possible, if the markets scent a Conservative victory in a general election. The exchange rates should stay firm and the gilt market should forge ahead. Equities may feel disappointed that tax cuts are not larger but are likely to be carried along in the general euphoria."

The bank said the Budget had displayed a marked lack of radical thinking to the point of being bland. To avoid giving offence to voters it had retreated on two key areas of excise duties and higher rate tax allowances.

Mr David Nickson, president of the Confederation of British Industry said the Chancellor's prudent measures would provide extra thrust for industry. He said the cut of one half of a percentage point in interest rates was a step in the right direction.

The CBI welcomed the Budget measures which would stimulate enterprise

The Machine Tool Trades Association welcomed steps to contain inflation but said it would have liked to have seen the Government introduce measures to encourage long term strategic investment by manufacturing companies.

It said the rate of investment in machine tools by British manufacturers remained significantly below that of West Germany and Japan.

Mr Richard Weir, director general of the Retail Consortium, said retailers would welcome the cuts in income tax and the standstill in excise duties on alcoholic beverages and cigarettes. Changes in taxation rules to aid small business would also be well received.

Changes in systems for paying value added tax would increase costs for some retailers. Shopkeepers would also be disappointed that requests to allow capital allowances on retail buildings had been ignored.

"All in all this is a good Budget for retailers which should do nothing to halt the current growth in retail sales," said Mr Weir.

The Low Pay Unit said the Chancellor had delivered a Budget of broken promises. The burden of direct taxation on most low pay households remained higher than in 1978-1979. The Budget had done little to help those caught in the poverty trap whose numbers had increased five-fold since Mrs Thatcher came to power.

The unit said that the £2.7bn allocated for tax cuts could have created seven times as many jobs if it had been used for direct investment.

The Charter for Jobs said that the Budget had pleased the City, the smoker and the taxpayer but had left nothing over for the unemployed.

Nearly 20% of adult population own shares

By Clive Wolman

THE NUMBER of shareholders in the UK has shot up from about 3m in 1979 to 8.5m or nearly 20 per cent of the adult population, according to a survey commissioned by the Stock Exchange and the Treasury.

The survey of 7,000 adults, published yesterday, provides the strongest evidence yet of the Government's success in promoting a share-owning democracy.

It was carried out by NOP Market Research between January 21 and February 16 after the British Gas privatisation issue but excluded the British Airways privatisation on February 11. The results were announced yesterday by Mr Norman Lamont, Financial Secretary to the Treasury, during the parliamentary debate on the Budget.

Less welcome for the Government, however, are other survey results which indicate a low level of interest in the tax-favoured Personal Equity Plans. Only 3 per cent of the sample said they had invested or were intending to invest in PEPs, which were launched at the beginning of the year.

The survey was commissioned after the publication of a variety of conflicting evidence in the past year about the number of shareholders. Two surveys published last spring, based on much smaller samples, suggested that the proportion was only 8 per cent to 9 per cent of the popualtion. However, less-detailed questions were asked whereas the latest survey goes to great lengths to jog the memories of those who may not think of themselves automatically as shareholders.

Other evidence from company share registers and Stock Exchange transaction figures suggests that even if the number of shareholders has increased, the proportion of UK company shares held directly by individuals rather than through institutional investors has continued to decline. The proportion of listed shares held by individuals is now thought to be about 25 per cent.

The latest results indicate that the Government's privatisation programme has been the largest single factor behind the widening of share ownership. About 3.5m shareholders hold shares only in privatised companies and another 0.5m shareholders hold shares only in the company that employs them. Altogether 1.5m people hold shares in their own company.

The most substantial increase in share ownership has come from the large C2 socio-economic group of skilled manual workers. About 16 per cent of the adults in this group own shares, mainly in privatised companies. About 40 per cent of the shareholders in privatised companies are in the lower C2, D and E socio-economic groups compared with only 26 per cent of the shareholders in other Stock Exchange-listed companies.

The A and B professional and managerial groups account for only 34 per cent of the shareholders in privatised companies, but account for 48 per cent of the shareholders of other listed companies.

From the survey results, the Treasury believes that about 50 per cent of those who have bought shares in the privatised companies have been new shareholders.

Shareholders are almost equally divided between men and women but are concentrated in the age groups between 40 and 64, where 26 per cent of people own shares. About 36 per cent of households where income is greater than £13,500 contain shareholders. However, even in the poorest households, with incomes below £6,500, 10 per cent contain shareholders.

About 30 per cent of the 8.5m shareholders hold shares in only one company and another 15 per cent hold shares in two companies.

City praises cautious approach to courting voters' approval

BY JANET BUSH

THE BUDGET could not have struck a better balance, as far as the City is concerned.

Mr Nigel Lawson, the Chancellor, looked to have given enough away to voters to ensure their approval. But he also appeased those warning voices within the financial community which had been concerned about an electioneering handout stoking up already buoyant demand and perhaps even overheat the economy.

After weeks of excited anticipation, the decision to cut borrowing by £3bn and restrict the cut in basic rate income tax to only 2p looked a bit tame.

The longer-term reaction of the electorate to a rather dull Budget, which also did nothing to salve the social conscience on key issues such as unemployment, may not boost the Government's standing in opinion polls enough to trigger an early election.

This is the seed of one potential risk to the cheer which has greeted the Budget. Financial markets have been largely supported in recent weeks by the growing conviction that the Government will win a third term in an early poll.

Taking a longer-term perspective, the Budget was regarded as disappointing in its lack of reforming measures in the areas of tax, housing and the labour market, for example.

In the shorter-term, however, the City generally believes that the Chancellor has made a fine judgment.

The economy is already growing steadily, the underlying rate of inflation is still relatively high on an international comparison, and there is a consumer boom—hardly the context for a further stimulus to demand from more substantial tax cuts.

"There was no call for anything other than the masterly inactivity which the Chancellor offered," said economists at Goldman Sachs, the US securities house.

The most immediate reward of the Chancellor's conservative approach was yesterday's half-point cut in base lending rates, and the City widely expects more to follow.

These should lead to cuts in mortgage rates which, along with the decision not to raise excise duties, should mitigate the rise in the Retail Prices Index expected during the summer months. The Treasury takes this seriously because a high RPI could encourage demands for larger salary increases just when there were beginning to be signs of an improvement in this area.

Even after a cautious Budget, many independent economists are still worried about inflation and the economy overheating, particularly if interest rates fall sharply.

Economists at Alexanders, Laing & Cruickshank, the securities house, delivered one of the harshest views of the Budget. 'This Budget is not at all prudent, but actually one of the more feckless and over-expansionary budgets for some considerable time."

They argue that the tax cuts coupled with the higher spending announced in the autumn represent a sizeable stimulus to the economy which is in serious danger of overheating.

They warn against further deterioration in the current account, higher inflation and pressure on sterling. They nevertheless concede that Mr Lawson could have taken far greater risks.

Mr Bill Martin, chief UK economist at Phillips and Drew, the securities house, applauded the cut in the PSBR target which puts the Chancellor's strategy on a sounder footing for the longer-term.

"Our earlier fears that policies would have to be thrown sharply into reverse, post-election, to cool the economy down have duly subsided," he said. "When tighter policies do start post-election they will be more akin to a touch on the brakes rather than a throwing out of the anchor."

The City was particularly pleased with what it regarded as Mr Lawson's credible and cautious forecasts for the economy.

Few disagree with his forecast for growth of near to 3 per cent this year and are now more inclined to believe his inflation estimate of 4 per cent in the final quarter. His forecast for a current account deficit of £2.5bn is regarded as realistic and could even be unduly pessimistic given his cautious assumption of an oil price of $15 per barrel.

Mr Lawson leaves himself less open to disappointment in markets in election year by using cautious forecasts. Economists at Credit Suisse First Boston said: "It seems that the Chancellor wants the surprises to tend to be on the right side, in the way that he has surprised the market in the year just ending."

Official survey casts doubts on growth in self-employment

BY PHILIP BASSETT, LABOUR EDITOR

"SELF EMPLOYMENT is an important form of economic activity which has grown strongly in the 1980s." So says the most recent Government analysis on self-employment in Britain.

Figures published with the Budget, however, seem to put a crimp in that growth, showing a remarkable drop in self-employment in 1985-86. They seem to cast doubt on the Government's claim, likely to feature strongly in the forthcoming general election, of seeing more than 1m new jobs created since 1983.

Early details of the now-annual Labour Force Survey (LFS) carried out by the Department of Employment show a sharp downward revision of Government estimates of growth in self-employment.

Previous official estimates gave an assumed growth in the 12 months from June 1985 to June 1986 of 122,000, but estimates based on the 1986 LFS put the actual growth at only 17,000 — a huge 86 per cent reduction in the estimate.

SELF-EMPLOYED GROWTH

Past and Present Estimates for GB (1,000s)

Year	Past assumption introduced in: Feb 1983	June 1983	July 1984	Feb 1985	Apr 1986	Mar 1987	Present estimate based on LFS
1981-83	0	100					51
1983-84		100	71				275
1984-85			71	125			115
1985-86				125	122		17
1986-87					122	102	

Source: Department of Employment

How can estimates be so wildly wrong?

Has there been such a sharp drop in what has been promoted by the Government as a key area of expansion both for the economy generally and for jobs in particular? And if there has, how can the Government's estimates of it be so wildly wrong?

The Small Business Research Trust thinks there may well have been such a drop. The National Federation of the Self Employed and Small Businesses thinks it may be a blip in the statistics—but if it isn't, it's concerned. The TUC thinks that such a drop would be in line with a virtual halting of all employment growth in early 1986, and as a confidential policy paper to be approved by its general council meeting next week says the unions think that the form of the self-employment statistics has helped disguise that slowdown in general job growth.

The root of the problem is that the Government simply doesn't know the up-to-date picture on self-employment.

Information on the level and growth of self-employment is collected in three main ways. First, by the Inland Revenue, culled from tax returns, though its latest and still unpublished figures only go as far as 1984-85.

Second, through national insurance contributions as recorded by the DHSS, though latest figures here are even older, going no further than 1983-84.

The third set, the Employment Department's figures, are the best—though the basic problem with them is that the department has no source for the self-employed to compare with its quarterly sample of employers for its statistical series employees in employment.

What happens for the self-employed is that Department of Employment statisticians take as a benchmark the 10-yearly census of employment, and then use the LFS to provide a measure of how self-employment has changed.

An assumption is made that growth will continue at the same rate as the census shows, and then the LFS is used to check that. The principal problem with the system is that it cannot easily deal with surges in self-employment, or sharp falls, until the LFS cross-check has been made.

The accompanying table shows the estimates made under this system since 1981, and in the final column the actual estimate based on the LFS. In all cases bar 1984-85, when the estimate of 125,000 was in statistical terms close enough to the actual figure of 115,000, the estimates have been wrong—either too high, such as this week's figures, or too low, such as those for 1983-84.

The future estimate, as yet untested by the still-to-come 1987 LFS, of 102,000 in 1986-87, is based on the actual figure of 17,000 pulling down the average assumption running from the 1981 census.

Self employment now stands at 2.6m

Based on the 1986 LFS, self-employment now stands at 2.6m, or 10.8 per cent of the employed labour force, compared with 21.1m employees in employment —87.9 per cent of the whole labour force.

All this would be of mere statistical significance, were it not for the weight placed on the growth in self-employment by the Government in terms of jobs.

Just as its unemployment figures, due out today, are constantly challenged by Labour and the unions as not providing an accurate picture of the jobless, the Government may find it harder to shrug off similar challenges to its self-employed figures on job growth if they continue to swing so widely between assumed and actual estimates.

Tax-free pension limit 'poses early leaver problem'

BY ERIC SHORT

THE CHANCELLOR has created a new "early leaver" problem in company pension schemes with his proposal to limit to £150,000 the tax-free cash sum available.

This is one reaction from several leading pension consultants and consulting actuaries in their first assessment of the Budget's pension proposals.

Under the Chancellor's proposals, this limit will apply not only to new schemes set up on or after Budget day but to new employees joining existing schemes from that day.

Thus within existing schemes, employees who joined before that date will be eligible to take the maximum cash sum up to 1.5 times final earnings, with no absolute limit. Those joining on or after that date have the additional £150,000 limit.

The problem is compounded by another of Mr Lawson's proposals. At present, pension schemes often provide for employees not qualifying for the maximum number of years membership to achieve the maximum cash sum, but not the maximum pension. Under these so-called accelerated accrual rates, schemes must enhance both the lump sum and the pension together or enhance neither.

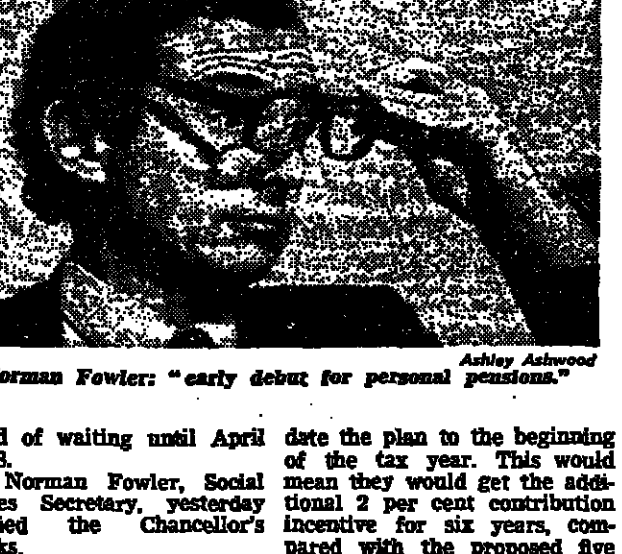
This change will again apply only to new members from Budget day.

The previous early leaver problem which arose when employees changed jobs did so because their accrued pension was not revalued for inflation. Consultants feel high paid employees will now be reluctant to change jobs because it will mean a drop in thetax-free cash benefit.

The general reaction of the pensions industry was that overall the proposals would be of long-term benefit. But the short-term administrative implications were frightening.

These remarks applied in particular to the proposals to bring forward the start date of the new style personal pensions and to introduce "free-standing Additional Voluntary Contributions."

The Chancellor announced that employees not in a company pension scheme would be able to take out a personal pension from January 4, 1988 instead of waiting until April 6, 1988.



Ashley Ashwood

Norman Fowler: "early debut for personal pensions."

Mr Norman Fowler, Social Services Secretary, yesterday amplified the Chancellor's remarks.

He explained that in effect these employees would be able to take out a personal pension a year earlier, since they would be able to effectively backdate the plan to the beginning of the tax year. This would mean they would get the additional 2 per cent contribution incentive for six years, compared with the proposed five years.

However, many of the institutions providing personal pensions, such as life companies, banks, building societies and unit trusts, were under extreme pressure to meet the April 1988 deadline, since the final terms under which personal pensions will operate have yet to be revealed.

Meeting a deadline three months earlier is therefore going to cause even more problems.

Mr Fowler reaffirmed yesterday that he is not going to lay down the maximum charges that can be imposed on personal pensions. He intends to follow the US example and let competition bring down charges.

He is waiting for the outcome of the operations of the Financial Services Act before setting out the marketing rules for personal pensions. But he reminded institutions of the reserve powers in the 1986 Social Security Act by which he could force institutions to disclose charges and even could impose controls.

This announcement means companies can assume freedom on charges, providing they are not excessive. They can therefore start work on designing their personal pension contracts. However, some companies still want to see the specific regulations before committing themselves.

There was a general welcome for the proposal to allow employees in company pension schemes to make their own arrangements for additional voluntary contributions — the free standing AVCs—instead of having to go through the trustees. Indeed, since the industry asked for this at the outset, it could not oppose it.

However, the National Association of Pension Funds and the Society of Pension Consultants foresee chaos trying to ensure that employees do not go over the benefit limits. The industry insisted that free-standing AVCs had to be accompanied by a complete relaxation of benefit limits. They point out that since these AVCs must now be used to buy pensions the need for limits has disappeared.

However, the Confederation of British Industry is worried that employers are going to be faced with further administration of their employee's private pension arrangements.

Tax change to cover traditional stock options

By Philip Coggan

MR Nigel Lawson, the Chancellor, has extended to traditional stock market options the tax treatment afforded to the traded versions.

Traditional options are granted by Stock Exchange members to clients, giving them the right to buy or sell shares at a specified price for a set period in return for a premium. Unlike traded options, the traditional version cannot be sold on the secondary market.

In the past, traditional options were treated as wasting assets for tax purposes which meant that their allowable cost reduced throughout the life of the option to nil on expiry.

Now the two kinds of options will be treated equally. That means that in future, as Spicer and Pegler, the accountants, explain, "the cost of a traditional option will be deductible in full in computing chargeable gains, and the abandonment of an option will be treated as an allowable capital loss."

A formula for teamwork

CHEMISTS and pharmaceutical researchers this month were intrigued at the first public showing of a novel software product, which promises to accelerate dramatically the development of drugs and chemicals.

They crowded four deep at the Pittsburg US Conference and Exposition on Analytical Chemistry and Applied Spectroscopy to see demonstrations of Centrum, a software system which offers the best hope yet of automating chemical research.

Developed by Polygen, a three-year-old systems company based in Waltham, Massachusetts, it is said to be the first integrated research automation system designed especially to improve the productivity of chemical and pharmaceutical researchers.

For the most part, they are concerned with the physical shapes of molecules and with the way they interact with each other. One approach to automating the work is to provide the researchers with screen-based workstations on which they can model—either flat or in three dimensions—the molecules at the heart of their research. Polygen offers such systems—Hydra, Charmm and Chemnote.

Chemical Design, of Oxford, is working on a molecular modelling workstation using the Inmos transputer, a revolutionary design of computer on a chip.

It also supports the Millenium viewer, a 3-D viewer invented by Mr Mark Harris of the Astbury Department of Biophysics at Leeds University, which makes it easy to look at computer graphics of complex molecules.

Now Polygen has taken a completely different approach. Centrum provides an "environment" for an entire research team working on the project. Such environments are already commonplace in, for example, software development or the design of complex electronic circuitry.

However, they are novel in the giological sphere.

The environment basically consists of a database, a memory store of every piece of information about the project, with a set of "tools" enabling the researchers to get the best out of the data.

Mr Jeffrey Wales, chairman and chief executive of Polygen, explains that the principal breakthrough embodied in Centrum was finding a metaphor for the chemical design process.

Formerly an electronics engineer, he says that an electrical circuit diagram takes that role in electronics research.

"That diagram is both a definition of the problem and a means of communication between the members of the design team. The spreadsheet fulfils the same role for the financial planner.

'So we were seeking a pharmaceutical analogue to the electrical schematic and the spreadsheet."

The answer—which, Mr Wales says, came as blinding inspiration—was the scientific paper. It is both the model of all the information gathered in the research project and a means of communciation between members of the team.

The heart of the Centrum product, therefore, is a powerful interactive scientific document composer which allows research to prepare and share typeset-quality technical documents, including complex scientific graphics with full full access to the underlying data.

Polygen says "In a Centrum document, the research data and pictures on a page are dynamically linked to the software programs that produced the data—allowing the information content of a document to be interactively searched, analysed and updated."

The researchers working on the product are linked by electronic mail.

Du Pont, the US chemicals multinational, is already testing Centrum and Mr Wales says another seven beta sites will be on stream in the near future.

The software runs on the new Digital Equipment Vaxstation 2000 and on a variety of other personal computers and workstations. The cost depends on the host computer, but typically it would be between $1,500 (£949) and $4,500 per workstation.

Centrum is on sale in Britain through Polygen's UK subsidiary based on the York University campus.

BY ALAN CANE

The wonder of the software world: a hard act to follow

CAN Lotus Development Corporation, a company whose name is virtually synonymous with professional personal computing, maintain its phenomenal growth "until the end of time," as chairman and chief executive officer Mr Jim Manzi would have it?

Probably not. It does look set, however, to claim its reward for two years of substantial investment in new products and improvements to its existing best sellers, so remaining the wonder of the software world.

Late last year, it was offering just three products and only one of those—1-2-3, an integrated spreadsheet—was an outstanding success. A rash of launches in the past six months has changed all that, and there seems to be plenty more in the pipeline.

Now, according to Mr Manzi, it will outperform the software industry in growth, while diversifying into areas other than microcomputer software.

His optimism is shared by software industry analysts. Mr Robert Therrien, of New York stockbroker PaineWebber, agrees that the company looks sound both in the short and long term.

Lotus's success is remarkable in an industry where the overnight variety is commonplace. Founded in 1982, it is the largest independent software vendor with revenues of $282.9m (£178m) in 1986. Its nearest rival, Microsoft, had revenues of $197.5m in the year ended June 1986.

Its success is based on 1-2-3, a powerful and comprehensive electronic spreadsheet designed for 16-bit personal computers. Spreadsheets are the most popular business analysis and modelling tools. Rudimentary electronic filing and graphics capabilities built into the product made it the first successful integrated microsoftware package.

1-2-3 went straight to the top of the software best seller charts in 1982 and remains there today. It still accounts for more than 50 per cent of Lotus's revenues worldwide, and has stamped itself indelibly on the industry as the spreadsheet standard. A Japanese version was launched in September last year and became the best selling software package in the country within a month.

The success of 1-2-3 has brought trials as well as benefits.

Lotus has had to take legal action to curb attempts to sell products which mimic the "Lotus interface," the way a Lotus spreadsheet looks and behaves to a user. It is sueing the Paperback Software Corporation, run by Mr Adam Osborne, alleging that its spreadsheet, VP Planner, copies the "look and feel" of 1-2-3.

The company's problem — in common with many other successful microcomputer software vendors — has been to convince customers and investors that it is more than a "one-product" organisation, whose main cash cow could be copied and milked by competitors.

Early attempts to diversify its product range were not wholly encouraging. Symphony, a sophisticated spreadsheet with word processing and communications built in, sold slowly. Customers complained they found it difficult to manage.

To be fair, as Mr Therrien of PaineWebber pointed out at the time: "Symphony has been the sort of failure any other vendor would hail as a great success . . . it has outsold all other integrated packages combined."

Jazz, an integrated spreadsheet providing all the functions of 1—2—3 in a form suitable for Apple's innovative Macintosh computer, also sold disappointingly because early sales of the Macintosh were themselves lower than expectations. That has changed in the past few months, auguring well for Lotus's Jazz update Galaxy, announced earlier this month.

Mr Manzi, 35, a former newspaperman and management consultant, took over from Lotus founder and inspirer of 1-2-3, Mr Mitchell Kapor, in October 1984.

In the UK last week to rally the troops at Lotus's Windsor, Berkshire, headquarters, Mr Manzi said that among the products planned for the future were packages which would take advantage of the speed and power of the latest microprocessor chips (the Intel 80386). They would be launched later this year or early in 1988.

Networker, a piece of software making it simple for many people to use Lotus spreadsheets on a share system, is due for launch imminently. There will also be products designed around CD-ROM (compact disk-read only memory) technology.

This technology, similar in principle to the compact audio disk where laser light is used to read a pattern etched on the disk surface, has also been singled out for special emphasis by Microsoft, Lotus's chief competitor.

The two companies seem to be taking separate approaches. Microsoft is publishing on CD-ROM a library of large and expensive reference books.

Lotus is developing and selling special software to extract critical information from the millions of items held on a single CD-ROM. To expedite this it bought a company with the necessary full-text search and retrieval technology, Computer Access Corporation of Belmont, Massachusetts.

Mr Manzi says he remains open-minded about the best method for bringing new software swiftly to market. Sometimes he will buy it in, at other times write it in-house.

Mr Kapor, for example, since he relinquished control of Lotus to Mr Manzi, has been working on a new product series involving artificial intelligence, which could be launched by the end of the year. "It will not be as big as 1-2-3," Mr Manzi says ruefully "but then nothing could be."

As Mr Manzi describes it, the Lotus image is changing from that of a "spreadsheet whirlwind" to a broadly based company specialising in analytical software for business and technology.

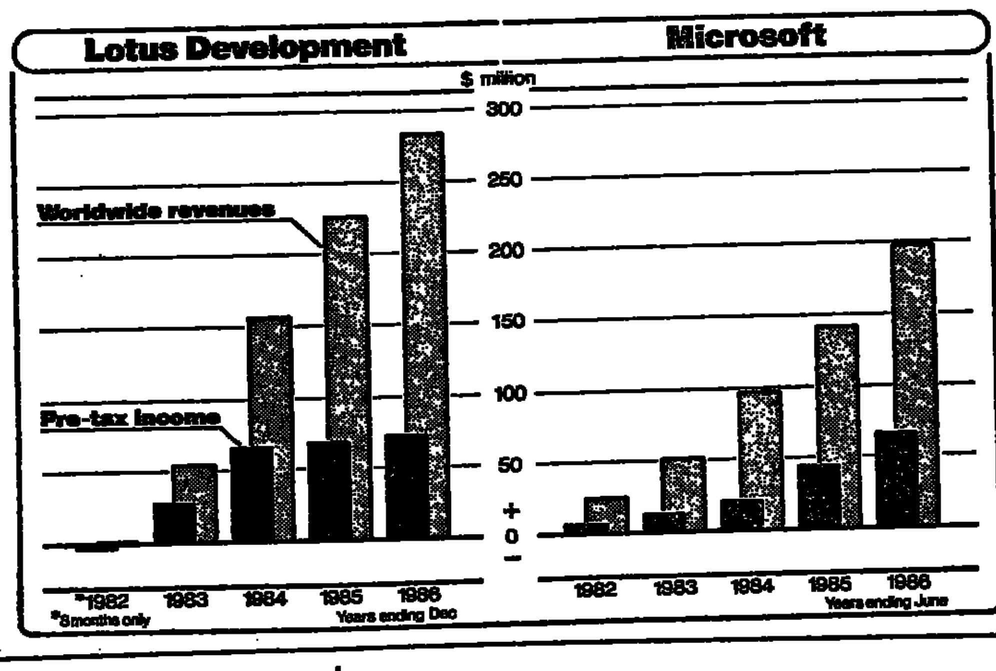
One approach is to make it easier to get information into spreadsheets.

Mr Manzi believes that 95 per cent of all data put into 1-2-3 is put in by hand. So now there is The Application Connection, which organises the movement of information held on a mainframe into personal computer-based spreadsheets and databases. And there is Measure, which does the same job for scientists and technologists, moving data from remote sensors into 1-2-3.

Given the information can be captured and processed, it must also be capable of being displayed in a useful manner. So Lotus has released Manuscript, a word and document processor for business and technical professionals, and Freelance Plus, a graphics package.

Other launches include HAL, which makes it possible to give 1-2-3 simple English-like commands rather than the traditional code-like instructions, and Signal, a stock market quote system delivered over a network with the added facility of automated entry of the data into 1-2-3.

Mr Manzi says he is aware that many potential customers suffer from "technology indigestion," the inability to use more than a fraction of the technological power available to them. "We are customer-driven, not technology-driven," he says. "Our job is to help the customer through this technological mess."



Computer use reflects surge in services

LONG-TERM trends in British industry, such as the decline in manufacturing and the growth in financial services can be identified from the changing pattern of investment in information technology.

This is clear from a new four-volume report from Pedder Associates, a British market research organisation specialising in the computer industry. Entitled Industry Sector and Regional Opportunities 1982-1990, the report analyses the UK market for computer systems costing £30,000 and above.

It shows, for example, that manufacturing industry's share of all computer shipments in this category was 29.3 per cent in 1982. By 1990, however, the projections suggest that its share will have fallen to 24 per cent.

By comparison, the financial and business services sector, including insurance and banking, had a 28.9 per cent share of the shipments in 1982, but is likely to take 33.5 per cent of shipments by 1990.

The report says that the public sector will also see above average growth. "Information technology is seen as an important factor in the need to contain the rising cost of running the public sector.

"Central government, in particular, will offer strong opportunities. Penetration of workstations, for example, is expected to increase dramatically from the current one per 20 employees to one in four by 1990."

IBM, inevitably, dominated the £30,000-plus market sector with a shipment value of £624.9m in 1985. It was the leader in 16 of the 23 industrial sectors examined by the report.

ICL, the UK's largest computer manufacturer, was strong in the central and local government and defence sectors.

The report is available from Pedder Associates, (01) 878 9111, at £6,450.

MANAGEMENT : Marketing and Advertising

EDITED BY CHRISTOPHER LORENZ

IKEA, the Swedish furniture chain, broke new ground 18 months ago by moving its 100,000 square feet store in Edmonton, Alberta, into a covered shopping mall.

IKEA normally prefers its large outlets to stand alone. But the site of its new Edmonton branch is no ordinary shopping centre.

Spread over 24 blocks of a city on the northern edge of the Canadian prairies, the West Edmonton mall is the world's largest agglomeration of shops—817 in all. It is also a breathtaking blend of shopping mall, indoor entertainment centre and hotel—not forgetting 20,000 parking spaces. Built in three stages, it was finally completed last autumn after six years of construction.

Nader Ghermezian, one of four hard-driving, Iranian-born brothers whose family company owns the mall, says that the concept of West Edmonton "is to combine shopping with recreation and tourism."

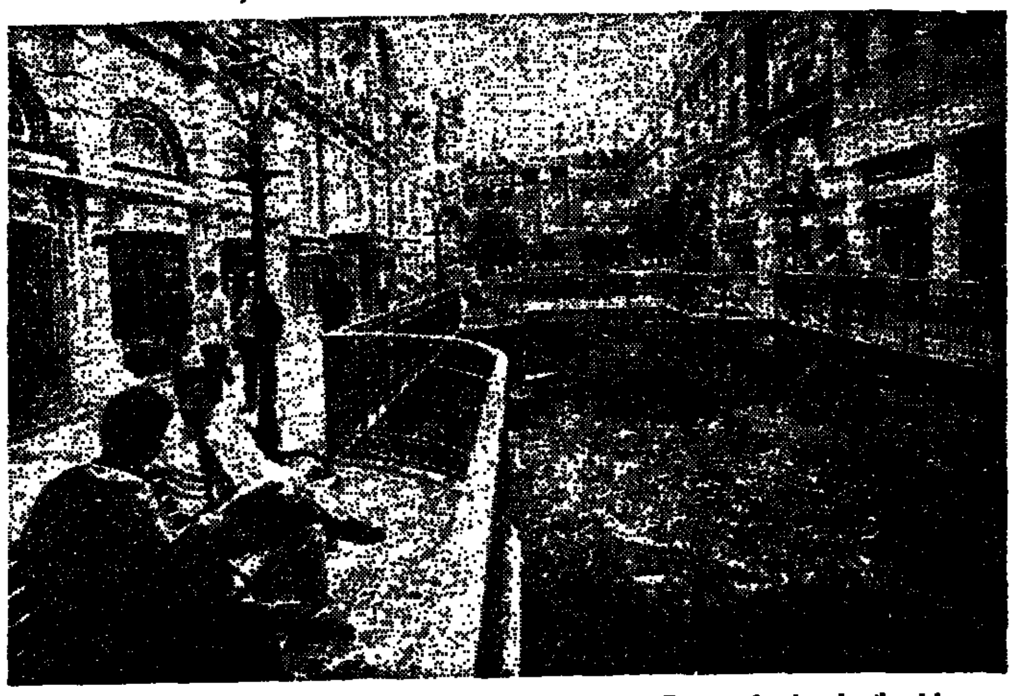
The family's faith in the concept is borne out by the fact that construction is due to begin within the next two months of a similar US$500m to $600m project in the US town of Bloomington, Minnesota, just outside Minneapolis. According to Ghermezian, preliminary talks are under way to put up West Edmonton-type mega-malls in several European countries, which he declines to name.

However, the Ghermezians' boundless energy and enthusiasm masks the controversy which their ambitious concept has stirred up among retailers, shopping centre designers and property developers. Indeed, investor hesitancy led the Ghermezians' company, Triple Five Corp, to shelve plans in January for a C$480m privately-placed mortgage secured by the mall.

In a sign that one tenant's meat may be another's poison, the Safeway food chain moved a large supermarket out of West Edmonton shortly after IKEA moved in. A key factor that tenants must contend with is that West Edmonton is as much a tourist attraction as a shopping centre, and rents charged there are at the sort of level usually charged in much bigger markets than Edmonton, a city with 680,000 inhabitants.

The Edmonton Convention and Tourist Authority estimates that 80 per cent of all visitors to the city find their way to the mall. The big question is whether they are merely sightseeing tourists or serious shoppers.

The mall's credentials as a tourist attraction are beyond dispute. While outside temperatures often drop below



Fashion shops and a mini-golf course at West Edmonton mall: less well proven for shopping than leisure

A shopping mall - or a tourist attraction?

Bernard Simon reports on the controversy surrounding the world's largest retailing and entertainment complex in Edmonton, Canada

minus 20 deg C, West Edmonton's Five Acre Water Park offers a warm, palm-lined beach (the sand is rubberised plastic) and machine-made waves. There is a choice of 22 waterslides, three whirlpools and a volleyball court.

The indoor amusement park has 47 rides, including four submarines and one of the world's longest roller-coasters. There is a pet zoo and displays of exotic animals, like tigers and emus. The Edmonton Oilers, one of North America's leading ice hockey teams, practice regularly on the mall's tournament-size ice rink.

The Fantasyland Hotel in the north-west corner of the mall is well worth a visit, if not a stay. A third of its 360 rooms have such eye-catching themes as Arabian harems, Polynesian islands and Victorian coach houses. "Truck stop" rooms on one floor come complete with flashing traffic lights, reconditioned petrol pumps and a life-size model policeman watching over the jacuzzi. The bed is mounted on the back of a real Ford pick-up.

Although such exotica may not be everyone's idea of good taste, the hotel has had an 85 per cent occupancy rate since it opened last October.

As a shopping mecca, West Edmonton is less well proven—though its performance needs to be seen in the context of the deep recession which has hit oil-producing Alberta in the past year.

Ghermezian says that, despite the recession, mall retail sales rose by 20 per cent last year to a December peak of C$485 per sq ft, the highest in Canada. But a senior Triple Five employee contradicts him, saying that sales have dropped in the past year from C$420 per sq ft to around C$320.

Tenants' views are equally divergent. Don Berg, of Val Berg's menswear, says that while his West Edmonton mall shop pays 25 per cent more than a branch in another Edmonton shopping centre, sales at the mall are 25 per cent lower.

Berg blames the third phase of the Ghermezian project, which doubled the number of shops to over 800. "They've split the pie in half and we're not getting our share," he complains.

Similarly Marks and Spencer's regional manager in Alberta, Tom Kelly, says that despite an 8 per cent rise in sales last year, M and S's outlet at West Edmonton "is not performing the way we expected." While praising the mall's promotion efforts, he complains that there are "more tourists than shoppers."

On the other hand, IKEA is pleased that it made the change. Anders Bergland, president of the chain's Canadian subsidiary, says that "what I like is that there are a lot of people coming here. The standard of the mall is compatible with where we want to be."

IKEA's sales are 50 per cent higher than at its previous site. Mail order business is especially strong, indicating a high proportion of customers from outside Edmonton.

Zellers, a nationwide budget department store chain, says that sales in its mall branch jumped by a double-digit figure last year. Although the store manager declines to specify the increase, he says that "we're doing well." He estimates that half the store's customers are from out-of-town.

Despite these apparently contradictory experiences, some general patterns have begun to emerge. Safeway's decision to move out last year reflects a consensus that a mall the size of West Edmonton is not suited to supermarket shopping.

Lincoln North, a Toronto real estate appraiser who worked as a consultant on Triple Five's aborted mortgage offering, says that "people who go on a major food shopping expedition are not inclined to tack on other goods and services on the same trip."

He predicts that "ten years from now, we're going to see very few major food stores within a shopping centre." Only one supermarket remains at West Edmonton, and even that is part of a department store.

More than a third of the shops in the West Edmonton mall are fashion-oriented. The busiest is a beauty products store with monthly sales of around C$900 per sq ft.

Safeway is being replaced by an up-market clothing store (at a higher rent). A 40,000 sq ft hardware store has given way to a pricey china and tableware outlet.

The new mall at Bloomington, to be known as Fashion Mall of America, will have an even higher fashion content, probably around 50 per cent. Triple Five hopes to persuade leading European chains to sign up as tenants.

The big influx of out-of-towners to West Edmonton has muted earlier criticism that a mall of its size is suited only to a major metropolitan area. Currently, it receives 16,000 visitors a day. Indeed, a city like Edmonton, which services a wide swathe of the prairies and northern Canada, may be the best possible site for a combination of recreation and shopping on such a vast scale.

About a quarter of the mall's traffic consists of visitors from outlying communities up to 400 miles away who combine shopping and entertainment on a weekend trip.

According to North, "the West Edmonton mall has created a market by having the pull to get people back a third, a fourth and a fifth time. It has enough of an infrastructure that it can work." A similar project in a larger city would have to compete not only with other big shopping malls, but also with innumerable other tourist attractions.

Direct marketing

Segmentation as a fine art

BY FEONA McEWAN

DIRECT marketing is still the unsung hero of the marketing armoury. For all its phenomenal growth and its increasing agility in pinpointing customers and prospects, few yet grasp its full potential.

Recently published is a book which will stimulate new thinking on the subject. Written by two of America's leading practitioners, Stan Rapp and Thomas Collins, founders of the worldwide agency that bears their name, MaxiMarketing offers a thought-provoking debate on the shape of communications to come.

Radical changes in the marketing landscape, largely the result of computer technology, are revolutionising marketing techniques and practices, they say. The mass marketing of the 1950s and 1960s has given way to segmentation of defined consumer groups in the 1970s which continue to be refined by the niche marketing of the 1980s.

Once there was one Coke for the thirsty, one Clairol hair dye for colouring treatment and one type of Holiday Inn for travellers.

By the mid-1980s Robitussin was offering four kinds of medicine in the US for four kinds of cough, Bristol-Myers was selling eight kinds of Clairol in lotion, gel, mousse etc and Holiday Inns and Hilton both offered choice of luxury or budget accommodation. Coke is now available in many forms, Cherry, New Coke, Coca-Cola Classic, Fresca, Tab, Caffeine-Free Coke and who knows what more.

The future, according to Rapp and Collins, is a technology-literate 1990s (and here's the crux of their thesis) where the individual consumer is king and one-to-one marketing disciplines will replace the mass-marketing mentality of the past.

"In this new land, you will know the name and address of the end-user of your product, regardless of share or how the purchase is made. Your advertising will be linked directly to measurable sales. You will hunt down users of competing brands and lure them away with a dazzling array of value-added services."

The key to this new marketing dawn, as the writers see it, is customer databases, which are getting more detailed by the day. And as the cost of accumulating and accessing information drops, so the ability to talk directly (by mail and phone, for instance) to customers and respond to their needs increases. It is segmentation taken to a very fine art.

From selling virtually everyone the same thing a generation ago, marketeers will be fulfilling individual needs and tastes by supplying customised products and services. Companies will shift their emphasis from getting "a sale at any cost" to winning long-term customers, whose changing needs and wants are catered for.

The upshot of these know-all customer databases, is that businessmen of all persuasions, in products or services, retail or manufacture, selling by direct mail, in store or through sales forces, will have to re-examine advertising, promotion and marketing assumptions that seemed to work so well a decade ago, and test them against the new realities.

Changing lifestyles and households, too, demand new approaches, maintain the authors. "How can we sell door-to-door when in seven out of 10 homes no one is at home during the day and people are afraid to open their doors at night?" goes the thinking and so on. Avon salespersons, who once sold door-to-door have diversified into offices, schools and nurseries because that is where their customers are. And with single and two-person households accounting for some 58 per cent of US population (1980 census figures) the traditional "family" target market (accounting for only 7 per cent of the total US population of 82m) can no longer be the rule of thumb.

And with television losing its potency, a number of top advertisers are reconsidering their media budgets. A number, the authors say, are already considering other support media, not least direct marketing to back up their traditional above-the-line marketing effort.

The authors' answer is what they call MaxiMarketing, which basically means exploiting to the fullest every potential or existing customer, in a way that builds up a detailed customer database.

This is achieved by "saving the names and addresses of inquirers, warranty card returners, rebate applicants, coupon redeemers, sample requesters, charge account and credit customers, etc, and using the latest tools of targeting and segmentation to add other identifiable characteristics to each name and address."

Rapp and Collins outline nine basic steps to MaxiMarketing which takes a company from the process of "reaching a prospect" to "making a sale" to "developing the customer relationship." Companies are no longer in the business of making and selling widgets, the authors remind their readers, they are in the business of "customer development."

**MaxiMarketing by Stan Rapp and Thomas Collins, £17.95, McGraw-Hill.*

Marketing abstracts

The interface of strategic and marketing plans. G. E. Greenley in Journal of General Management (UK), Autumn 86 (8½ pages)

Contends that strategic plans provide a framework for preparing marketing plans at each stage of the planning process; finds though that in practice the majority of companies do not do this, and that inputs from marketing plans are not made for strategic modification. This results in a lack of long-range orientation, and a functional — rather than corporate — view of the business.

Low-cost business-to-business direct marketing. J. Morris in Direct Marketing (US), September 1986 (3 pages)

Outlines the use of three direct mail techniques for the business-to-business sector— direct response cards (the sort that come in clear-wrapped packs), self-mailers, and newsletters. Finds that, though they are unpopular with marketers and advertising agencies, DRCs "provide the greatest number of inquiries at the lowest cost," and that one newsletter campaign drew a 28 per cent response.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p & p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

THE ARTS

Queen's Gallery/Roy Strong

The camera focused on the Crown

A colleague remarked to me the other day in the wake of the V & A's Irving Penn exhibition, "Why don't we just stick to having photographic exhibitions. The public just flock in." If they adored Penn, how much more will they respond to a combination of that medium with another of the public's household gods—anything to do with the Royal Family.

The exhibition *Crown and Camera* at the Queen's Gallery (until further notice) does just that neatly and there is no doubt that it will be hugely successful. And, what is more, it has a little bit of everything for everybody, from masterpieces by Fenton to snaps of the doomed children of Tsar Nicholas II, satisfying the full spectrum from the photographic buff to the just plain curious.

With that fact one touches on the weakness of the exhibition, which lacks focus and tries to cover everything that happened during the 70 years from 1842 to 1910 from Prince Albert's collection of photographs of works by Raphael to the invention of the photographic state portrait. As a result one wanders around with one's mind reeling off in too many directions. On the other hand that vividly reflects what the collection is—a family one, with all the idiosyncrasies that implies. And this is part of its fascination.

Princess Helena and Princess Louise. The photographer was Roger Fenton

Roger Taylor in the catalogue provides by the far the most detailed documentation yet of the attitudes of Queen Victoria and Prince Albert to the new invention. They were in fact relatively slow in responding to it, although two of the most haunting images are tiny portraits of the Prince Consort, attributed to William Constable from 1842. Fox Talbot, Hill and Adamson's work, which formed the glory of the 1840s, passed them by and it wasn't until the aftermath of the Great Exhibition that they began fully to respond. Albert's preoccupation was essentially aesthetic, Victoria's a monument to memory and sentiment. And it is these early records of the reality, if such it was, of the Royal Family which are so compulsive. It is extraordinary to realise that in one daguerreotype on display, we are actually looking at a daughter of George III. She was born in 1778.

The best royal portraits, however, come from Fenton and Caldesi during the 1850s, owing as much to the painstaking technical skills required to take them as the photographers' innate eye for composition. Fenton's pictures of the princesses are timeless Victorian reveries in terms of costume and detail but also probing the characters of the girls as they moodily stare out, sullen and dispirited, or look away from the camera's lens like lost waifs. None of Victoria's children ever looks happy in the pictures. If it were not for their attire they are more reminiscent of the records taken of orphans later in the century for Dr Barnardo's.

Photography in the 1840s and 1850s was a pursuit which pertained to the upper classes. In the 1860s and after it became commercial—the vehicle for mass produced images of the famous. Photography still plays a key role in the maintenance of popular monarchy and it is interesting to pinpoint when exactly this happened. Queen Victoria sat for her first state portrait photograph in 1861, shortly before her widowhood. Thereafter, there runs a sharp line down the middle between photographs for the royal albums and those for distribution, although the Queen was refreshingly devoid of vanity over her own likeness. None the less, it is amazing to see how effectively the photograph had replaced the painted portrait by 1897. The Diamond Jubilee portrait by W. and D. Downey is a masterpiece, anticipating the work of de Meyer with its orchestration of an aureole of light bathing the bejewelled and lace-encompassed Queen.

For Victoria too, photography became an ideal medium for the promotion of the cult of her departed husband, as she and her children, dressed in black, arranged themselves in grief stricken attitudes around his bust. It was also a means whereby the grandmother of Europe was able to keep pace with the expansion of her ever growing family. Huge albums were filled with their likenesses.

One of the exhibition's surprises is the work of Queen Alexandra, who may not have been a great photographer but was certainly a pretty good one. Her seascapes reveal a sure eye for composition and her portrait of the Tsarevitch banging a drum reveals the makings of a photo-journalist.

A more considered view of her work would be welcome. Nor should the photographs of Prince Alfred, Victoria's second son, be discounted. The stylish self-portrait of him at the age of 20, with his hat at a rakish angle, and the contrasting character study of the Clerk of Works at Windsor establish that he was well versed in the potentialities of the medium.

Go and enjoy the exhibition in the same way that you would a huge old family scrapbook. Do not be surprised if one minute you are looking at a likeness of Liszt, and another at views of South Africa.

● *From the book Crown and Camera: The Royal Family and Photography 1842 - 1910, by Frances Dimond and Roger Taylor. Viking (hardback) £20, and Penguin (paperback) £12.95. Publication date is March 26.*

The Amen Corner/Lyric

Michael Coveney

James Baldwin's mid-1950s three-act period piece of domestic reawakening among the Harlem hot gospellers has arrived in Shaftesbury Avenue two months after its Tricycle, Kilburn, revival. It is quite a shock — and a tribute to the West End's current mood of creative receptiveness — to find Baldwin bedding down on the Avenue alongside Garcia Lorca, Siegfreid Sasscon and Leonard Bernstein.

All of these shows derive from the subsidised sector, the more impoverished quarters thereof, a fact that might be forcefully and, who knows, fruitfully, pointed out to the Arts Minister. Anton Phillips's Kilburn production for the Carib Theatre Company has its longueurs and makes no concession to the idea that "black acting" has moved on a bit since Lorraine Hansberry's *A Raisin in the Sun* (compare and contrast, for instance, with the svelte brilliance of the cast in the Theatre Upstair's *The Emperor*).

But Carmen Munroe is giving probably the fullest and meatiest performance in London as Sister Margaret who has abandoned her husband and son for the Lord and missionary work in Philadelphia only to realise that an unhappy evangelical medium is what is not wanted and what she has become.

The curtain rises briskly on her store-front congregation belting out spirituals and banging tambourines while Margaret descends heavily on a sinner for driving a liquor truck. A lot of the play is autobiographical. Indeed, the departure of young David (superbly played by Sylvester Williams) for the world out there and his friends is a poignant analogy of Baldwin's early days similar in its vivid ardour to his novel of the same time, *Go Tell It On the Mountain*. It is a classic leaving home sequence, David forsaking the chapel piano, falling in closely with his returned father and walking in from a night on the tiles to be met by a maternal slap across the face and accusations of immoral conduct.

Margaret's problem is that she talks to everyone as if to a bulging congregation. But what Ms Munroe strongly conveys is the particular circumstances of Margaret's vocation; she interpreted the still birth of her second child as a theosophical fingerwag but is unable to console the young girl who loses her baby during the interval.

Her husband Luke (Al Matthews) has come home to die still wearing "the same carnal grin." The other social issue, obviously experienced in black Harlem 30 odd years before the Synod's deliberations in Britain, is that of women pastors. In one astonishing backlash speech, the congregational stalwart Brother Boxer, whom Clarke Peters plays as an electrified conduit of the holy music, turns on Margaret and accuses her of pastoral fradulence, while really giving vent to years of pent-up silent devotion. Women, he suggests, are made for men, not for God.

Domestic scenes are played downstage of the chapel on Marsha Roddy's functional design. The singing is infectiously enjoyable, with virtuosic snatches from Celena Duncan, Allbe Parsons and Trevor Marshall-Ward as well as from Mr Peters, who soft pedals one pulsating choric anthem while the family drama follows its predictable course.

Alastair Muir

Carmen Munroe

Sinopoli /Festival Hall

Richard Fairman

In the last 20 years international conductors resident in London have shown themselves increasingly ready and willing to take Elgar's music into their repertoire. One might have expected that their handling of his two symphonies would have related the works firmly to the central symphonic tradition, but for the most part it seems they have been lured by the music's images of Edwardian grandeur far more than Elgar himself or other British conductors, like Boult, ever were.

After Barenboim, Haitink and Svetlanov we now have the Italian, Giuseppe Sinopoli. His performance of the Second Symphony with the Philharmonia on Tuesday started out in a purposeful way, the splendid horn playing adding an extra impetus, but as soon as the first "maestoso" marking came into sight the pace slowed to a ceremonial tread. From then on, the score's majestic romanticism was nobly, richly, lovingly dwelt upon to the detriment of anything else.

That the work has real symphonic strength is soon forgotten. The long first movement is especially difficult to pace and Sinopoli's loss of impetus before the development section meant that his performance forfeited a clear sense of direction in much the same way as Haitink's account did before him. Only Solti, of the foreign conductors, has wisely kept the music on the move.

Nevertheless there were many incidental pleasures en route. Sinopoli observes the detailed markings on phrasing and dynamics with scrupulous fidelity (why not do the same for tempo indications?) and his judicious balance of orchestral timbres was rewarded with excellent playing from the Philharmonia: the lamenting solo oboe in the *Larghetto*, the whiplash interjections from the brass at the height of Elgar's devilish scherzo, all clearly audible and accomplished with precision.

In Lalo's Cello Concerto the soloist was the Israeli cellist, Matt Haimovitz, who is still in his teens. Well-schooled in every way, his playing was neat, lyrical, and spirited when required. Unfortunately this piece, which is drawn out well beyond the merit of its ideas, demands little else from its interpreter and we must await a return visit with a more substantial score in hand to appreciate to the full his much-lauded skills.

Extemporary Dance/The Place

Clement Crisp

American Suite, which is the title of Extemporary Dance's new programme for the spring, is an evening of trans-Atlantic modernism. David Gordon has made—the cult word is "constructed"; never "choreographed"—*Bach and Offenbach*, while Viola Farber provides *Winter Rumours* and *Take-Away*. I suppose that one fair success (*Winter Rumours*) out of three in an evening such as this is not a bad score, though there are factors militating against the evening's chances in the clothes that Craig Givens bestows on the dancers. I never cease to be amazed that the New Dance crowd feel so urgent a need for glumness in design. They come on stage looking their worst in costumes baggy and dreary, or down-right bellicose in their sexual ambiguities: they appear to have dressed while on the run from an Oxfam shop.

Bach and Offenbach lasted for 40 minutes, or was it 40 hours? Its cast, pounding and pacing over the Place's dance area, touched and passed, and fell repeatedly into each other's arms in the sacred procedures of Contact Improvisation. Ideas were stated, repeated, turned in diverse physical permutations, as Bach's first 'cello suite was played live, to be followed by Offenbach's two 'cello suite, which was put through an electronic blenderiser to no happy effect.

The movement went on and on, relieved by the sure dancing of Jon Smart and Sharon Donaldson, both one-time B.P. Apprentices with the company, and examples of the excellence of the new generation of British contemporary dancers. The piece itself is to be suffered through.

Viola Farber, formerly with Merce Cunningham's company, is a creator of unexpected effects, of danced pianissimos that are broken by abrupt sforzandos of action, movement bursting out of sustained phrases like a sudden cry. *Winter Rumours*, set to seven Russian folk-songs (also performed live), shows white-clad dancers held in poses which give way to physical exchanges that are by turns conversational or abrasive in temper. There are little soliloquies of dance that catch the eye by their unexpected angles, their quick twists and flickers of dynamics. This is an individual, allusive and witty style, and even at its most disjunct it yet holds together because of Miss Farber's control of the language. (I was reminded at times of Stevie Smith's poems). Odd to report, then, that the second Farber piece, *Take - Away*, should prove so flat. Extemporary's publicity alleges that it is a "wicked parody" of dance stereotypes. It may be that its cast fail to point any of the jokes, but all I managed to see was a group of dully dressed performers bustling about while the grinding banalities of Clementi's *Gradus ad Parnassum* rattled on.

"A Tribute to Benny Goodman"

A Tribute to Benny Goodman will be presented at the Purcell Room, South Bank, on Monday April 20 featuring some of Britain's leading mainstream musicians. A sextet playing Goodman music will be led by clarinettist Henry Mackenzie accompanied by Digby Fairweather (trumpet), Ronnie Gleaves (vibraphone), Martin Litton (piano), Kenny Baldock (bass) and Tony Crombie (drums). Also appearing will be singer Beryl Bryden. The programme will be produced and presented by Jack Sudie, secretary of the BBC Jazz Society. *Bookings on 928 3191.*

Messiaen Festival/RAM

Max Loppert

This week the Royal Academy of Music has given itself over to a festival devoted to the music of Olivier Messiaen. Each day there is a handsome spread of Messiaen concerts, culminating in *Turangalila* on Friday and *Des Canyons aux étoiles* (at St Pancras Church) on Saturday. Not only is the representation of Messiaen's *oeuvre* wide, but various pupils (such as George Benjamin and Tristan Murail) are also helpfully sprinkled on to the programmes.

At Tuesday's opening concert in the Duke's Hall, Messiaen and Yvonne Loriod (who gives masterclasses and plays in *Des Canyons*) were in attendance, and stage and auditorium were crammed with Messiaen performers and admirers in fervent mood. The feeling of celebration was genuine indeed.

It was an attractive idea to set Messiaen's *Chronochromie* and *Trois Petite Liturgies*, each a key item of its compositional phase, within an "historical" context provided by the Stravinsky Symphonies of Wind Instruments and the Debussy *Aprés-midi d'un faune*. Under Nicholas Cleobury the combined forces of the RAM Sinfonia and Opera Orchestra gave confident, musically perceptive accounts of both. Balance, timing, and refinement of timbre are always at a premium in these works, yet whatever tiny smudges there might have been were outweighed by the sense of responsiveness and freshness: professional performances of Debussy and Stravinsky seldom make one feel that the music *matters*, as these did.

And nowhere was the feeling stronger than in the Messiaen performances themselves, a tonic for anyone who may recently have been wondering (as I have) whether his music was losing its power to grip. *Chronochromie* (1959-60), perhaps the cleanest, most economical, and most vigorously exploratory composition he has ever produced, was thrown off with dashing disdain for its many hair-raising difficulties. The brass chorales and great sound-piles set the Duke's Hall a-trembling; the 18 independent string parts of the "Epôde" were attacked with fierce energy (and the similarity of the musical conception at this point to the "controlled multifariousness" of so much mature Elliott Carter came as an exhilarating surprise).

Of the three main strands in Messiaen's compositional make-up—the innovative, the catchy, and the swoony—the wartime *Trois Petites Liturgies* have rather more than a fair or equal share of the first two. But here again the sheer wholeheartedness of the performers was a mitigating factor: the solo pianist Andrew West, the RAM female choir, and Tristian Murail on ondes Martenot were all so bound up in the experience that it was impossible not to shed puritan reservations and join them.

Saleroom/Antony Thorncroft

Trifles from a King

Christie's was busy with three morning sales yesterday, which were packed with intriguing items. None more so, perhaps, than two of the presents that King Edward VII showered on his mistress, Mrs Alice Keppel. A gold mounted riding whip, with the top chased as the Prince of Wales Feathers, sold for £7,700, three times its forecast, while a bust length miniature of the King, bordered with pearls, did even better, selling for £8,800, as against a £1,200 top estimate.

The objects of vertu sale brought in £71,225, with 13 per cent unsold. A Fabergé dark green jade casket in the Empire style made £4,950.

In the silver auction that followed, Simons, a London dealer, bought four George III table candlesticks by Andrew Fogelberg, dated 1774, for £27,500, double their forecast. Twelve George III dinner plates by Paul Storr, dated 1812, made £22,000, and a similar dozen sold for £20,900. They were created for the marriage in 1811 of the 2nd Earl of Caledon to Catherine, daughter of the Earl of Hardwicke, and carry their arms.

The London dealer Koopman paid £20,900 for four George III candlesticks by John Romer, of 1769, and another local dealer, S. J. Phillips, acquired four George III candlesticks by John Scofield, 1782, for £18,700. The sale totalled £552,376, with 6 per cent unsold.

The top price at Christie's was at an arms and armour auction, when a private British collector paid £66,000 for a German sporting crossbow: it was an auction record for such a crossbow. Made around 1610 in Nuremberg, it is very large, 33 ins by 19¼ ins, and very decorative, carrying scenes from the William Tell legend and from ancient Roman history.

In the same auction, which totalled £313,984 with less than 1 per cent bought in, a rare Swiss half armpur of the early 17th century doubled its estimate at £17,600. A single-trigger over-and-under flintlock pistol, made around 1820 by Joseph Egg, of No 1 Piccadilly, trebled its estimate at £15,400. It carries the arms of Sir Robert Kingsmill of Sidemanton, Hampshire.

Bonhams achieved a good price in its watercolour auction of £42,900, way above estimate, for a view of Mount Cook and Lake Pukaki in New Zealand, signed and dated by Nicholas Chevalier, 1872. A similar view sold at Christie's, South Kensington, last summer for £38,000. This one went to a New Zealand dealer, bidding on the telephone. An album of drawings of West Indian views, of around 1850, sold for £1,870.

In Madrid on Tuesday Sotheby's sold a painting by El Greco of Christ with the Cross for £453,760, a good price given that it cannot be exported. Meanwhile in London yesterday, second-rate Victorian art came under the hammer. Two artist auction records were the £33,000 paid by the Richmond Gallery for "The Corner of the Farmyard," by Walter Hunt, a pretty picture of ponies; and the £22,000 which secured a still life of fruit by Edward Ladell (top estimate £12,000).

In the same auction the Fine Art Society paid £26,400 for an Atkinson Grimshaw 1882 view of Park Row, Leeds, and "Picking up the scent," a hunting scene, by Heywood Hardy, realised £24,200.

'Bernarda Alba' extended

The House of Bernarda Alba, starring Glenda Jackson, Joan Plowright and Patricia Hayes, has had its run at the Globe Theatre extended for six weeks and will now end on May 30.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

March 13–19

Exhibitions

LONDON

The Royal Academy: British Art in the 20th Century is a major exhibition full of interest yet to some extent misleading. The mistake was to try and give a comprehensive overview of "The Modern Movement" - the show's subtitle. But the subject is just too big and the gaps are obvious. Concentrate on what is there, rather than what is not, and certain strengths in British Art in this century do manifest themselves. The Abstract tradition and its development deserves a show of its own, but here it is the figurative tradition, quietly expressionist, romantic and always idiosyncratic that makes its point. The British do not fit easily into schools and pressure groups of lasting or particular influence, but individuals bear comparison with the best of their foreign peers. From Sickert and Paul Nash, Gwen John, Matthew Smith and Stanley Spencer, to Bacon, Freud and Auerbach, there is much in which to take real pride. Sponsored by BP, the show ends on April 5 and moves to Stuttgart.

PARIS

French drawings: At the beginning of the 18th century Louis XIV's love of the grandiose gave way to an art more intimate, more pleasing. A new generation of artists around Antoine Watteau introduced colour as well as a lightness of touch into their drawings under the influence of Venetian and Flemish masters. Musee du Louvre, Pavillon de Flore. Closed Tue. Ends June 1. (4260 3926).

Rembrandt: The exhibition of 341 engravings is exceptional for the proofs showing the stages of Rembrandt's creative process and its imaginative presentation. Landscapes, genre scenes, portraits and autoportraits and biblical scenes testify to the diversity of inspiration and the technical mastery of the painter who was the first to consider engraving as a autonomous artistic expression. Bibliotheque Nationale, 58, Rue Richelieu. Ends May 3 (4703 8126).

Henry Moore: The exhibition of some 80 engravings and lithographs coincides with the appearance of the 4th volume of the Catalogue Raisonne of the sculptor's graphic work. The theme of the femine body predominates, often with a three dimensional effect. There are also feminine heads drawn in a classic fashion, majestic mother and child figures, architectural motifs and a series of elephants' skulls. Berggruen, 70 rue de l'Universite (42220212) from Tue to Sat. Ends March 21.

WEST GERMANY

Munich, Lenbachhaus, Luisenstrasse 33: Franz von Lenbach (1836-1904). The painter had himself built a Palast in the Italian renaissance style, finished in 1891. His widow then sold it to Munich in 1925. To mark the 150 anniversary of his birth, the Lenbach Villa will be redecorated with the original furniture and paintings of the artist. The exhibition displays 180 pictures and paintings in several rooms. Lenbach, celebrated above all for his portraits, studied at the academy for arts in Munich under Karl von Piloty. Ends March 29.

Bonn, Städtisches Kunstmuseum, Rathausgasse 7: A retrospective by August Macke (1887-1914). Born in Meschede, Macke studied in Düsseldorf and Berlin under Lovis Corinth. He did much of his work in Bonn, and was responsible for a new art form Rheinische Expressionisten, before the First World War. His journey in the spring of 1914, with Paul Klee and Louis Moillet, to Tunis became a landmark in art history. In the same year he was sent to the front in France, were he died, aged 27 in action in Champagne, Ends May.

ITALY

Venice: Palazzo Grassi: 'The arcimboldo effect': a curious and stimulating exhibition centred on the neglected 16th century Milanese mannerist painter, Giuseppe Arcimboldo. Much appreciated in his own lifetime for his extraordinary composite portraits, in which the features of the sitter would be composed of the tools of his trade. - Pots, pans and vegetables for the cook (which turned upside-down becomes merely a still-life) or books for the librarian. - Arcimboldo spent most of his working life outside Italy, in the service of three Hapsburg emperors. Included is his arresting portrait of Rudolf II as the Etruscan god Vertunno, made up of fruit, vegetables and ears of corn. The exhibition contains works by Arcimboldo's predecessors, such as Leonardo, Durer and Posch, as well as those of artists active in the early years of the 20th century. It attempts to draw links. - some obvious (Dali, de Chirico, Man Ray and Duchamp). Ends May 31.

Turin: Circolo degli Artisti (Palazzo Graneri): One hundred drawings by Rodin from the last years of his life, almost all depicting the female form, in various sapphic, narcissistic and every day poses. The drawings have been chosen by Claudie Jandrin, the curator of the Rodin Museum in Paris, from its collection of almost 7,000 graphic works by Rodin. Ends March 29.

Rome: Galleria Nazionale D'Arte Moderna (viale Delle Belle Arti): Rome's leading gallery celebrates the reopening of the rooms devoted to twentieth century painting and sculpture with notable foreign acquisitions, such as Cezanne's last work, Le Cabanon De Jourdan and Bruno Mantura's fascinating retrospective of the Italian artist, Domenica Gnoli, who died prematurely in New York, aged 37. Better known outside his home-country, Gnoli was an artist of great subtlety and delicacy, using (in his large canvasses) the techniques of pop art. Gnoli was also a successful theatrical designer, and many of these designs are included amongst the drawings on show. He produced the costumes for Jean-Luis Barrault's La Belle au Bois Dormant in Paris in 1954 and Robert Helpmann's As You Like It at the Old Vic in 1955. Ends April 12.

SPAIN

Barcelona, Edvard Munch (1863-1944): 185 lithos, drawings and his influential graphics of his large output period. Emphasis is his preoccupation with themes of life and death (friezes of life). Fundacion la Caixa, Passeig San Joan 108. Ends March 22.

Madrid, Ben Nicholson (1894-1982): English abstract painter who kept to his idioms with remarkable constancy. His paintings and reliefs are geometrically inspired and derive from the austerer forms of cubism. His abstracts remained unvarying until well after the Second World War, producing monochrome reliefs that relied for their effect on the interplay of finely related surfaces. Sixty-six works on loan by the Tate Gallery, the Moma and Guggenheim, the Kunsthaus and Phillips collection, mostly from 1919-1981. Fundacion Juan March, Castello 77. Ends March 29.

Madrid, Jasper Johns retrospective. Born in 1930, this North American artist, with Rauschenberg, was one of the originators of pop art influencing the course of art for many decades, 100 pieces: paintings, collages, assemblages of objects, plastic, metal and bronze can be seen. Centro de Arte Reina Sofia Santa Isabel 52. Ends April 5.

NETHERLANDS

Amsterdam, Maison Descartes: Modern Indonesia in the paintings of Jean-Pierre Giacobazzi. Ends March 25.

NEW YORK

IBM Gallery: This free exhibition space brings to New York shows curated elsewhere, like the present offering of Pacific island masks and statues from the Tribal Art Centre in Basel and Mexican textiles from 85 tribal weavers. Ends April 25. 57th & Madison.

Museum of Modern Art: The first major retrospective in two decades of Paul Klee includes 250 paintings and watercolours and 50 drawings and prints, some by arrangement with the Klee Foundation in Bern which has rarely lent them (including large-format paintings from his later life). Ends May 5.

Cooper-Hewitt Museum: The design wing of the Smithsonian housed in Andrew Carnegie's Fifth Avenue mansion, features a special show on folding fans. Organized by textile conservator, Lucy Commoner, the fans reflected the fashions of the times during their heyday from the 17th to early 20th centuries, as demonstrated in the 60 pieces of various shapes and designs. Ends May 31. (91st & 5th Ave).

Metropolitan Museum: 90 paintings from the end of Van Gogh's life are the focus of this second of a two-part show of the prolific artist at Saint-Remy and Auvers. The Starry Night and Cypresses come from this period working first in an asylum in Saint-Remy and then in Auvers, where he committed suicide in July 1890. Ends March 22.

WASHINGTON

National Gallery (West Bldg): The Age of Sultan Suleyman the Magnificent explores the height of art and technical development during the Ottoman Empire in 210 16th century manuscripts, silver, gems, kaftans and ceramics. Ends May 17.

CHICAGO

Art Institute: A retrospective of more than 150 of John Singer Sargent's paintings, watercolours and drawings provides the first major overview of the artist's work in 60 years, with many of his famous full-length portraits, along with landscapes and informal drawings. Ends April 19.

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The dilemmas of success

THE CHANCELLOR'S declared preference for a cautious approach to interest rates, which resulted in a cut of only half a point in base rates yesterday, clearly disappointed the market a little, but it seems to have worked quite well initially.

Mr Lawson and his officials have been criticised several times in recent months for responding reluctantly to messages from the market, but in fact they have had the last laugh more often than not. The strategy of monetary management gets harder and harder to discern as the Medium Term Financial Strategy goes through its successive metamorphoses, but the tactics appear highly acute.

There are limits to muddling through, though, even when it is done by a virtuoso, and Mr Lawson's present caution reflects a clear dilemma. The excellent prospects which he described on Tuesday have resulted largely from the fall in the effective rates of sterling over the previous months; its recent recovery is already carrying it into a zone where those prospects might be in danger. More important, uncertainty about the future level of sterling is almost certainly already inhibiting expansion and investment in UK manufacturing industry. All this suggests a sharp cut in rates, even if it is achieved step by cautious step.

Real doubts

The domestic scene, on the other hand, has for some time been worrying market analysts of the more monetarist school, and some monetary officials too. The rapid growth of private credit, which is for the first time given a chart of its own in the official Budget Red Book, is attracting comparisons with the Barber boom.

If this dilemma simply reflected the fact that one instrument cannot be expected to achieve two policy objectives, it would scarcely be worth discussing editorially; the subject has been done to death. However, the dilemma gets more complicated when there are very real doubts about how far the chosen instrument can achieve *either* objective. The current private credit boom can hardly be blamed on low real interest rates, as it could under Mr Barber; indeed, the demand seems almost entirely insensitive to the price. Equally, the German and Japanese central banks have a sad tale to tell of the use of low interest rates to discourage inflows.

How legitimate are the worries on either score? It is conventional to compare private borrowing growth with growth in previous cycles, or as in the Red Book diagram to chart it against the fall in public sector borrowing. This suggests that all borrowing has much the same long-term implications, which was indeed the thought behind the now-discarded targets for broad money growth.

However, personal borrowers are making nearly all the running in the current credit boom, and they have one characteristic which is quite unlike official or corporate borrowers: they intend, with almost no exceptions, to repay their debts. This means that a boom in personal borrowing tends naturally to peter out in the end.

Competitive advantage

The exchange rate is a more complex problem. Interest rates clearly have some influence, even if it is not decisive; and the experience of the EMS and of the Plaza and Paris agreements suggest that markets at the moment are prepared to respect clear-determination to defend credible rates with intervention. The Chancellor's studied coyness about his own objectives may in fact make market management a little more difficult.

Fundamentally, though, sterling is strong simply because the markets now perceive the competitive advantage which has been opened up, and that perception attracts both real and portfolio investment. In other words, if prospects are anywhere near as good as the Chancellor claims, the currency may prove obstinately strong for a long time to come. That has been the experience of other dynamic economies, and it has helped to keep them sharp, to check inflation, and to spread the rewards of productivity growth throughout the economy. The problem is not to hold sterling down, but to keep this helpful strength within bounds.

Small earthquake in Finland

THE ADVANCE of the Conservatives in the Finnish parliamentary election amounts almost to a landslide by Finnish standards, but the effects will be cushioned by the traditional and institutional facts of the country's politics. Whichever coalition emerges after the customary haggling will not upset the consensual system of that small democracy on the borders of the Soviet Union. Yet in the longer run the election draws attention to shifts both within Finland and in its external environment.

The foreign policy consensus, which is accepted almost without exception across the political spectrum, demands that Finland must maintain good, even close relations with its Soviet neighbour — not at the cost of its democratic institutions and relations with the West, but to safeguard them.

Finnish membership in bodies such as the Organisation for Economic Co-operation and Development (OECD) or the European Free Trade Association (Efta), not to mention the democratic nature of the election held on Sunday and Monday, testify to the success of that policy. The patronising tone with which some critics speak of "" finlandisation," implying subservience to Moscow, is a slur on those in authority in Helsinki since the war.

Cancelled out

Consensus about internal matters is imposed both by the habitual near-balance between Left and Right and by a constitutional peculiarity. Many kinds of fundamental legislation, budgets included, require two-thirds majorities in the parliament. As a result Left and Right have tended to cancel each other out and the effect has been enhanced by rivalries and divisions in both camps. Consensus has to be found at the centre.

Machinery for finding it often bypasses the parliament. The key to the process is a highly centralised biennial wage round involving more than merely management and labour. The Government often buys union moderation by offering inducements in the form of tax and social benefit changes. Special interests outside industry are also consulted. The outcome is then endorsed by the parliament taking whatever legislative decisions are required.

The system has worked well. Unruly labour relations were common in the 1950s and 1960s; they have calmed down. The standard of living is high, inflation has been kept within bounds, the current external deficit is manageable, and the national debt is small by international standards. Economic policy under a government led by the Social Democrats has been conservative and a policy of frequent devaluations has been abandoned.

But the idyll may not last forever. Last year's wage round was stickier than usual. The decline of the Communists, if continued, and the advance of the Conservatives could, eventually, reduce the centripetal effect. Finland may also face dangers known in other consensual societies: growing support for non-establishment groups, though the Greens performed less well than expected, and falling electoral turnout. The 75 per cent recorded may look good by comparison with Swiss standards but not with those of Finland's Scandinavian neighbours.

Soviet trade

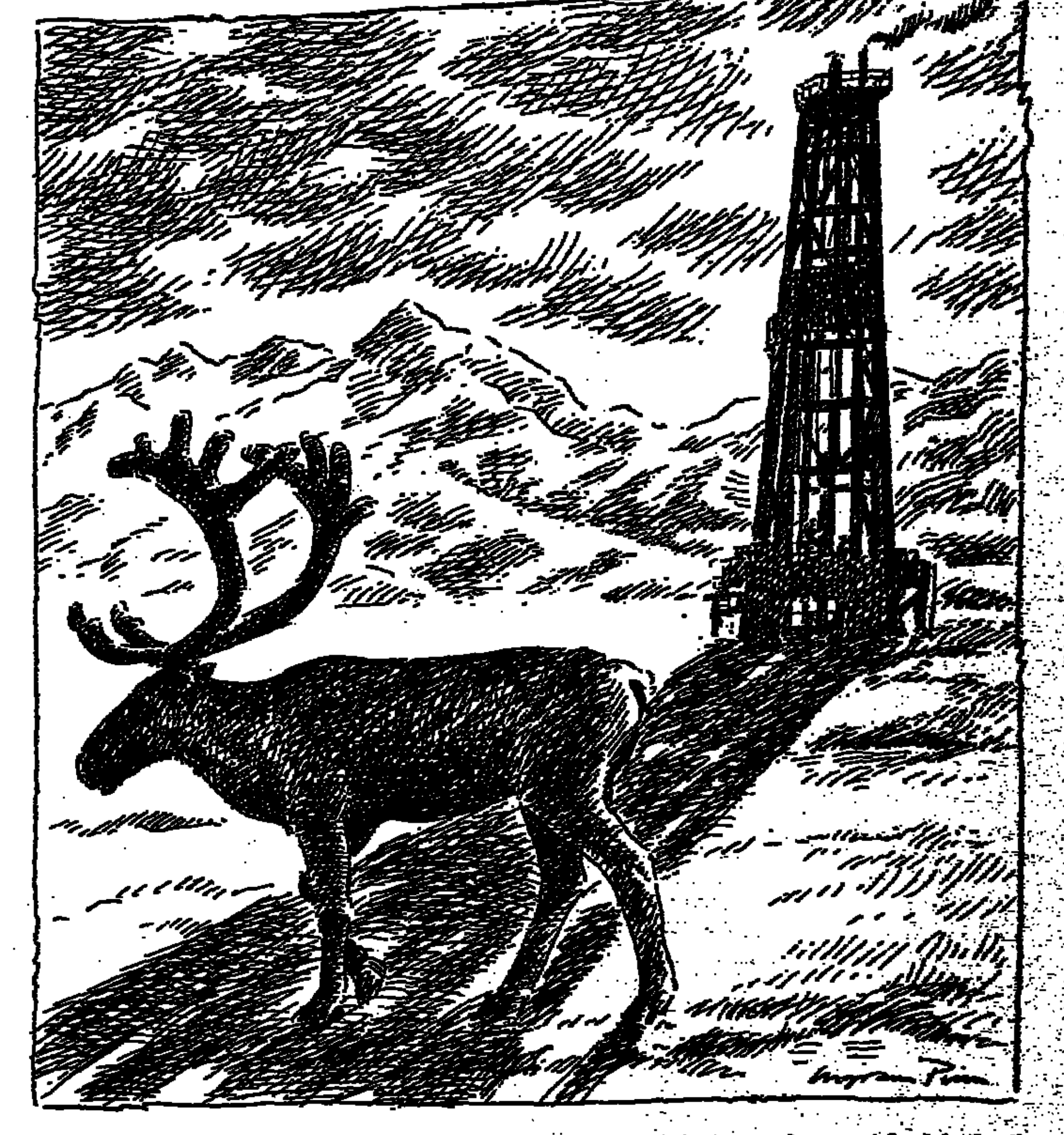
On the international plane, Finland has made its good working relationship with Moscow into a main plank of its foreign trade. A trade agreement with Moscow, based upon equal flows each way and a limited swing or margin for surplus and deficit has given Finnish industry certain access to a useful market. The Russians showed how they value that relationship when they agreed to mitigate the effects of last year's falling oil prices upon mutual exchanges. Oil and raw materials being the main Soviet exports to Finland, Soviet purchases in Finland none the less had to fall if the principle of balanced exchanges was to be preserved.

Perhaps more fundamentally than fluctuating oil prices, the Gorbachev reforms in the Soviet Union could eventually undermine Finnish exporters' safety of access to Soviet markets. Taken to their logical conclusion these reforms would give Soviet enterprises greater latitude in their business relations abroad. Though Moscow is unlikely to relinquish overall control, the Finns will find competition stiffening for Soviet orders. In due course others who have profited from politically-motivated Soviet ordering practices may have the same experience.

ALASKAN ARCTIC

The oilmen's last frontier

By William Hall



SOME CAME by snowmobile, others flew in from surrounding communities like Deadhorse, Fort Yukon, Arctic village and Old Crow. They talked, mostly in the local Inupiat Eskimo dialect, about everything from the future of the local porcupine caribou herd to the problems of drug abuse among the 4,000 or so Eskimo inhabitants of Alaska's hostile north slope, where the sun never rises for months on end and temperatures of 30 degrees below zero Farenheit are considered "normal."

Few people have heard of the town of Kaktovic, population 210, which lies 250 miles north of the Arctic Circle and hosted the recent meeting between Eskimos, environmentalists and oil company representatives. But that will probably not be true for much longer. Kaktovic sits atop what many believe could be one of the world's biggest oil fields.

The meeting marked the first skirmish in what is likely to be a great environmental battle: should the world's major oil companies be permitted to explore on the coastal plain of the 19m-acre Arctic National Wildlife Refuge, ANWR.

The 1.5m-acre plain of ANWR, pronounced Anwar, sandwiched between the giant oilfields of Prudhoe Bay and recent large discoveries in Canada's Mackenzie Delta, has been likened to the Serengeti plain of east Africa, one of the world's great wildlife regions. For as long as anyone can remember, the 180,000-strong porcupine caribou herd has come to calve on the narrow plain in the last week of May and first two weeks of June. By mid-July it is on the move again, returning to wintering grounds south of Canada's Porcupine river, from which the herd gets its name.

While the delicate Arctic desert supports polar and grizzly bears, musk-oxen, wolves, Arctic foxes, and teems with wildlife during the brief Arctic summer, it is the caribou, roaming across 96,000 square miles of Alaska and Canada, which have captured the public imagination.

Mr Tim Mahoney, Washington representative of the Sierra Club, an environmental lobby, argues that ANWR is "more important to this planet" than Yellowstone National Park or the Grand Canyon. The US Government would not think of damming the Grand Canyon to harness hydroelectric power or tapping the thermal power of Yellowstone's Old Faithful, so why permit oil drilling on the ANWR coastal plain, he asks.

The oil companies see things differently—and not just because many regard the area as having the greatest unexplored oil potential in North America. They have spent millions of dollars studying Arctic wildlife and are proud of their environmental record at Prudhoe Bay, 60 miles to the west.

To minimise environmental disturbance, they have used directional drilling to cut down the number of drill sites, constructed facilities in winter to prevent damage to the tundra, used ice roads rather than laying down permanent roadbeds and built elevated pipelines so as not to disturb the permafrost.

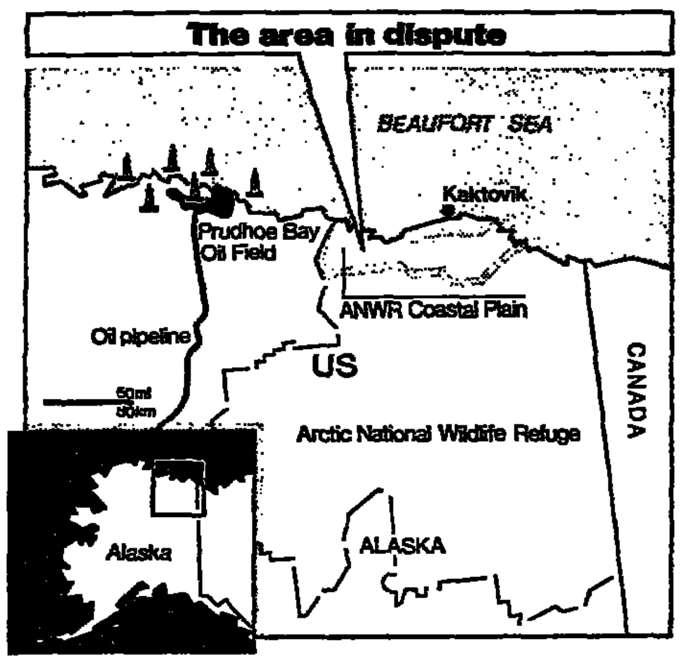
Oil men point with pride to the fact that the central Arctic caribou herd, which calves in the vicinity of Prudhoe Bay, has more than quadrupled in size to 13,000 during the most intensive development of the north slope.

The Prudhoe Bay field, discovered almost 20 years ago, is now producing at its peak rate of 1.55m barrels a day, but output is expected to start declining after this year. Arco, which with Standard has dominated development of the north slope, brought the 100,000-barrel-a-day Lisburne field into production on December 15 1986. Standard expects to start producing from its 100,000-barrel-a-day Endicott field — the first offshore field in the Beaufort Sea —by the end of this year. But, after that, the flow of new oil supplies from Alaska's north slope, source of 20 per cent of America's oil, will stop.

The slump in world oil prices over the past year has halted almost all exploratory drilling on the north slope; companies have shelved plans to develop several sizable discoveries, such as the Seal Island and Point Thomson prospects. Conoco has underlined the questionable economics of the smaller Alaskan oil fields by shutting down production from Milne Point. Several costly exploratory dry-holes, most notably Standard Oil's infamous Mukluk Well in the Beaufort Sea, and disappointments elsewhere in Alaska have punctured early euphoria. Oil companies are now quietly retreating from the north slope, and unemployment is rising in the former boom towns of Anchorage and Fairbanks.

"The existing north slope oil fields of Prudhoe Bay, Kuparuk, Milne Point, Lisburne and Endicott will be producing at a combined rate of only about 600,000 barrels a day by the year 2000. That is little more than a quarter of current north slope production levels," says Mr George Nelson, president of Standard Alaska Production Company, who estimates that output from all developed US oil fields will drop from almost 9m barrels a day to less than 4m barrels a day by the end of the century.

The area in dispute



The lower 48 states of the US have been fully explored for oil and "only an extreme optimist would expect to explore and find 5m barrels a day of new production in the next 13 years — especially at today's crude prices," notes Mr Nelson. In common with the rest of the senior executives in the oil industry, he believes that the best chance of cushioning the decline is by finding a giant oilfield. The most obvious place to look is ANWR.

The industry's enthusiasm for the area has been fuelled by a recent draft report of the US Department of the Interior, which recommends opening up the ANWR plain to the oil companies. The 172-page study concludes that it is the most outstanding oil and gas frontier remaining in the US.

The department predicts there is a 95 per cent chance that the coastal plain contains more than 4.8bn barrels of oil and 11.5 trillion (million million) cubic feet of gas in-place. While these estimates are notoriously unreliable and there is a huge difference between reserves and the amount recoverable, the department believes that there is a 95 per cent chance of recovering 600m barrels of oil. Its average estimate is that ANWR should supply 3.2bn barrels.

To put this in perspective, existing recoverable US oil reserves total about 28bn barrels, equivalent to less than nine years' supply at current production levels. About a third of all US oil reserves are found on the north slope, which supplies about one fifth of US production. No US oilfield with reserves of more than 1bn barrels has been discovered since 1948.

While the report concludes that development of the coastal plain's oil and gas resources could reduce caribou numbers and bring about widespread changes in the wilderness, it recommends full leasing of the plain to the oil companies. Mr William Horn, an assistant secretary at the Department of Interior who is leading the US Government fight to open up ANWR, cites the national need for domestic sources of oil and gas and the oil industry's trouble-free record in the Alaskan Arctic as grounds for his decision. A final report will be submitted soon and then it will be up to Congress.

Battle lines are already being drawn and oil industry lobbyists privately admit that the debate over the future of oil development in ANWR could make the long-running environmental struggles over the development of Prudhoe Bay, look like child's play.

The present line-up on ANWR pits the US Government, the oil industry and the state of Alaska, including its Eskimo population, against a well-financed environmentalist lobby which has considerable political support. The Canadian government, which is mulling over the development of its huge resources in the nearby Mackenzie Delta, is a wild card in the debate. Its concern for the caribou may not be the only reason why it would like to slow the development of ANWR.

While the US Senate has been more sympathetic to the oil companies, the House of Representatives has on two occasions voted overwhelmingly to enshrine the ANWR coastal plain as wilderness. Representative Morris Udall, chairman of the House Interior Committee, is picking up strong support for a new bill which would keep the plain permanently off limits for oil and gas exploration.

"The oil companies would have us believe that there is no real problem here, that we can have it all. They confidently assure us that oil and gas development will have no serious effect on wildlife. This is, indeed, a very seductive message," says Mr Udall. But he notes that there is a grave risk that ANWR could not be developed without serious disruption. "Once we have undone this great and special place, we could never remake it."

The environmentalists, who argue that the 100-mile stretch is the only part of Alaska's 1,100-mile Arctic coastline barred to the oil companies, start with a strong hand.

"We cannot allow ANWR to be destroyed for a one in five chance of discovering 33 days' supply of oil," says the Wilderness Society. The National Audobon Society says that it is "not in the long-term conservation, economic or national security interests" of the US to open the coastal plain to the oil companies.

Behind the scenes, the companies are mounting a lobbying battle to try to ensure that the most promising oil prospect in North America does not become ensnaried in years of bureaucratic infighting. They argue that less than one per cent of the ANWR coastal plain would be affected by exploration and production. After two decades in the Arctic they are confident that they can conduct their business in an "environmentally sound manner so as not to harm wildlife."

However, the oil industry's main arguments for being allowed to look for oil in ANWR revolve around questions of national security and the growing dependence on imported oil.

A decade ago, at the height of the so-called energy crisis, the US was importing nearly half of its oil requirements. As conservation measures took hold and domestic production increased, imports slipped to less than a third of US consumption.

However, imports now account for well over a third of consumption and oil industry analysts predict that the US could be importing 60 per cent of its requirements by the year 2000. They argue that, even if ANWR were opened to oil exploration tomorrow oil would probably not start flowing until the turn of the century, because of the long lead times involved.

Says Alaska's Republican Senator Ted Stevens, the permanent closure of ANWR "will be a signal to the Organisation of Petroleum Exporting Countries and the rest of the world that the US has abandoned its efforts to prepare for the energy crisis that will inevitably arise during the next decade."

Men and Matters

Sydney fields new bank team

Any alliance of the man that made Australian cricket turn blue (and yellow and green) with the man who makes Hill Samuel see red is exciting enough.

Add in the lawyer who helped make Sir Robert Armstrong economical with the truth, the banker son of the Australian federal premier controversially removed from power in 1975, and a former premier of New South Wales, and the mixture is a heady one.

Kerry Packer, Larry Adler, Malcolm Turnbull, Nick Whitlam and Neville Wran, have come together to open an investment bank modelled on the likes of Lazard Freres, and Allen & Co.

An Australian stockbroker, in a typical Melbourne fashion, said that the team behind the new bank was, "just the kind of thing you'd expect from Sydney where money is thicker than politics.

However, when Whitlam Turnbull & Co, opens its doors in Sydney in July, funded by Packer and Adler, whose companies will be chipping in A$25m apiece, it hopes to attract several of the city's entrepreneurs as clients for its deal-making services, and to make profits playing the market in its own right.

Turnbull has shot to fame as Peter Wright's gutsy lawyer in the MI5 case, and has a long-standing relationship with Kerry Packer, acting as both legal adviser and company secretary to the media magnate's Consolidated Press master company. The Packer group recently sold all its television stations for A$1.1bn to Alan Bond, and Sydney has been rife with speculation over just what Packer will do next.

Nick Whitlam, whose father Gough was turfed out of office by the Queen's man Down Under, Governor-General Sir John Kerr, is a highly-regarded Harvard and London-educated merchant banker.

As well as enjoying star status, the team is politically well balanced. Wran suddenly abandoned a lifetime in Labour politics when he resigned the NSW premiership last year. Whitlam is not politically involved but retains a familiar loyalty to Labour." Turnbull may have given up the prospects of fighting for a parliamentary seat on behalf of the Opposition Liberal party, for which Larry Adler enjoys playing an eminence gris role.

Bank advance

It is rare for one of the clearing banks to recruit to its top ranks a man who has no background in day-to-day banking.

Royal Bank of Scotland's success in attracting George Mathewson, the outgoing chief executive of the Scottish Development Agency not only breaks with custom, but also means that the Edinburgh-based banking group has acquired one of the most sought-after managers in Scotland.

The "dynamic doctor," as Mathewson has been called in deference to his PhD in electrical engineering, is an exacting manager, as well as an incisive long-term thinker. The high reputation that the SDA now enjoys is largely due to him.

Before joining the SDA in 1981 he spent almost 10 years making investment finance decisions for Investors in Industry. That should stand him in good stead in a group which, following Big Bang and the acquisition of Charterhouse, has 30 per cent of its operations in financial services other than straight banking.

But observers in Edinburgh see more to the appointment than that. They believe that Mathewson, who is 46, is being groomed to succeed the man he will be working alongside, the group chief executive Charles Winter, aged 53. Yesterday Sir Michael Herries, Royal Bank's chairman, went to almost excessive lengths to stress that there was no "heir apparent" to Winter whom he hoped would be group chief executive "for many years ahead."

"I wouldn't mind teaching—but it's all that hanging about on street corners holding strike banners."

Flotation

There's nothing like a whiff of sea air to set pulses racing in the City of London.

I hear that broker James Capel is about to become the principal sponsor of the British team which will be competing for the Admiral's Cup this season.

The event has become the top international competition for teams of offshore racing yachts. It is fought out on offshore Channel courses, and inshore courses within reach of the fleshpots of Cowes.

James Capel helped sponsor White Crusader, the British challenger for the America's Cup in Fremantle. Guinness Mahon arranged a business expansion scheme to suport that venture.

Straight sponsorship looks like being the limit of the City's involvement with the Admiral's Cup, however. Yacht design is so much in the melting pot at the moment that most punters with a piece of money to spare would probably prefer to put it on the back of a good horse at Cheltenham.

Bidding Royally

The table talk was about takeovers at Buckingham Palace one evening this week when Prince Philip hosted a dinner party.

The Takeover Panel was represented. Other guests included men whose lives have been changed — not necessarily for the better — by takeover adventures.

Among them James Gulliver of Argyll, who was defeated by Guinness in the battle for Distillers, and Raymond Miquel, former chairman of Arthur Bell, the whisky company, also taken over by Guinness. Perhaps the two raised a glass to an absent acquaintance, their old adversary, Ernest Saunders, former chief executive of Guinness.

But they were there primarily to help satisfy a curious Royal interest in takeovers.

Is the House of Windsor in a mood to expand — perhaps to take over some dormant Ruritanian monarchies and inject a more vigorous management style by putting in some of its top trainees?

Or does it fear an unwelcome bid to erode its traditional market independence from an entrepreneur with headquarters at 10 Downing Street?

Observer

ECONOMIC VIEWPOINT

Aftermath of the Budget

By Samuel Brittan

MY SECOND thoughts about the Budget relate not so much to the Chancellor, but to the Opposition, including among the Opposition the BBC interviewers and presenters.

There is, heaven knows, enough about which to castigate the Government from a social market point of view. There are so many ways by which the Government could both make more use of market forces—in the jobs, housing, import and other markets—while doing more to help the worst off and the victims of change. If one is looking for disincentives and distortions, they are at the bottom and top of the income scale; just the places least touched by 2p off the basic rate.

Yet when there are so many grounds for criticism—not least for the failure of the Chancellor and the Foreign Secretary to bring up the EMS in Cabinet—all that the "moderate" critics can focus upon is the unwillingness of the Government to spend still more money than the masses it is already going to spend.

The Government walks into this criticism by its archaic separation of expenditure and tax decisions; so that by the time the Budget comes round, people have forgotten about the spending increases announced the previous autumn.

But it is the quality of the Alliance and Alliance-like criticism that I find worrying. The Thatcher Government plans to devote 44 per cent of GNP to public spending, slightly more than the Callaghan Government in its last year; and the percentage would be even higher if "tax expenditures" were included.

Surely there is room for the most ample provision of public goods—i.e. goods which cannot for some reason be supplied or charged for in the market—and for better targeted income redistribution within this 44 per cent. But unfortunately the *Alliance is continuing the old Labourite tradition of supposing that anyone with a social conscience should want yet more of the nation's income to pass* through Government hands, as *if 44 per cent were not enough.*

But what I find most sad is *that Roy Jenkins, for whom I* have a great personal respect *whether he believes it or not,* should advocate public spending, rather than tax cuts or *following his own example of* cutting borrowing, because some *computer simulation is supposed* to say that more jobs will be *provided by the spending* route.

It would be so much *more* interesting to hear him talk from his own experience as Chancellor and President of the EEC Commission, and as spiritual father of a much needed new political party, instead of repeating somebody else's model run-off. These "simulations" are not hard science, and the signs as well as the magnitude of the effects are in doubt both between one model and another and in principle.

* * *

On the macroeconomic side, the Medium Term Financial Strategy lives. Indeed, its problem is that it has three or four lives.

There is the objective for steady non-inflationary growth of total spending in the economy, measured by Nominal GDP — or "monetarism without mumbo-jumbo."

Then there is the fiscal objective of keeping public sector borrowing supposedly to 1 per cent of GNP, but to 2 per cent in reality if privatisation proceeds are excluded

Third, there is the exchange rate objective of keeping sterling at around its present level. This was reaffirmed by the *Chancellor several times* yesterday; and he has not been deterred by the Prime *Minister's* belief, reminiscent of Harold *Wilson, that exchange rates are* determined by freely floating *speculators in face of whom all* Governments are impotent.

There is, of course, a fourth indicator, M0 — mostly notes and coins — *which is one of* many dozens of interesting *indicators at which economic* forecasters should look, but which *became elevated into a main* official guideline in a moment *of* aberration when *computers* took over from human beings. *But do not worry, M0 will be* followed only when its message seems sensible on other grounds.

Sterling and Nominal GDP can be related within an international framework discussed many times in these columns. But I worry that too much of a fetish is being made of the fiscal objective. It happens to be appropriate this year to reduce the public sector borrowing percentage.

But neither the Red Book nor the Chancellor does enough to prepare us for other years in which it will be prudent and statesmanlike to raise the PSBR percentage, which can be done "in a nominal framework" without giving rise to fears of a Latin American debt trap. *But* the ground must be prepared.

The main immediate problem is a different one. It is to prevent the "success" of the Budget from driving sterling to heights which *will* undermine last year's great improvement in international competitiveness.

The *effect of this improvement* too is probably understated in the *official forecasts,* as the Treasury's forecasting *equations have about the lowest* responsiveness of exports and *imports* to price and profit incentives of the main forecasting models.

Industry can reasonably ask for "a period of stability" on the exchange rate. But it must also *realise that* the price to be paid may be considerable fluctuations in interest rates.

For the moment these fluctuations are pleasantly downwards. It is quite possible that after today's ½ per cent cut in base rates, interest rates will have to be lowered and lowered again until many hairs turn white in the Bank of England, to prevent sterling from overshooting upwards.

On purely domestic grounds, one would hesitate to reduce borrowing costs. There is a fearsome chart in the Red Book showing private credit growing at above 10 per cent or around £40bn per annum. This is a little less fearsome when *it is seen that* private credit has been growing at nearly *this rate since 1981* and that public sector borrowing *was much higher in the early* part of the period.

The problem *is not credit* as such, but that any fresh stimulus to domestic borrowing will be coming at a time when real consumer spending, exports and investment are all forecast to rise by 4 per cent and could easily—in the absence of a world setback—rise rather more.

In some economist's dictatorship one might try to offset lower interest rates by *raising* taxes or *cutting* government expenditure. As it is, the best hope is that the fall in interest rates will be associated with a fall in inflationary expectations and thus be more nominal than real.

If underlying inflation can be held back, either Nominal GDP will be kept to the target path, or any overshoot will be confined to the output component.

Underlying inflation and inflationary expectations will be kept low if the business community understands clearly that not merely will it be protected from a sterling overshoot now, but that it will not be bailed out by depreciation if labour costs rise in the years ahead. In other words, the adjustment to lower oil prices was well and truly exceptional. The Treasury and Bank need to be weaned from a desire to prevent sterling moving "too quickly" to a regime where it does not normally move at *all outside* a range established against low-inflation countries.

Within such a regime, labour costs will be held back by some mixture of pay restraint and rising productivity. The rise in manufacturing productivity is put even by the cautious Red Book at 3¼ per cent per annum since the last cyclical peak of 1979 and will surely be revised upwards.

But some of this "productivity" rise was not just an inevitable result of efficient use of new technology, but a response to above market clearing wages, which employers found it convenient to accept, at the cost of pricing workers out of jobs. There is a need to put a bomb under the labour and housing markets if one is genuinely concerned with employment rather than making voters feel guilty at not paying more than two-fifths of their incomes in taxes of all varieties.

(Percentage increase on previous year)
(Fiscal years)

	1973-79 Average	79.80	80-81	81-82	82-83	83-84*	84-85*	85-86*	86-87†	87-88†	88-89†	89-90†	90-91†
Nominal GDP	17.6	20.0	14.0	10.0	9.2	8.2	8.7	8.2	6.0	7½	6½	6	5½
GDP Deflator	16.0	16.9	18.5	9.9	7.2	4.4	4.3	6.3	3.0	4½	4	3¼	3
Real GDP	1.3	2.8	−3.8	0.1	1.9	3.6	4.1	2.0	3.0	3	2½	2½	2½

N.B. Change in Nominal GDP is a compound of change in Real GDP change in inflation (as measured by GDP deflator).
*Adjusted for coal strike †Treasury estimate or projection

Source: Treasury

Lombard

Lighting up a Coronary

By Joe Rogaly

IF YOU are a person of quality, as I am certain you are, you will appreciate the fact that some of us like to light up a Coronary after a good meal. It is important to roll it to the ear first, and of course the band must be removed, the end cut, and the long matchstick applied—just so. Once this ceremony is complete, one can blow out a cloud of pleasure and wisdom, as follows:

People who choose to kill themselves at the taxpayers' expense must pay for the privilege. *This* precept, whose validity is self-evident, should be called *Lawson's Law, in* honour of the Chancellor who *has just so shamelessly ignored* it. Mr Lawson might have put *up the duty on cigarettes by at* least the rate of increase in the retail *price* index, which would have put a *few* pence on a packet of twenty. He might have followed the logic of Lawson's Law, and moved the excise duty ahead at a rate faster than the index—putting, say, 10p on a packet. He did neither.

The net effect will almost certainly be a slowing of the rate of decline in smoking, with a consequently lower rate of decrease in the incidence of lung cancer, heart disease, and the other well-documented causes of deaths that occur in larger measure among those who smoke than among those who don't. Organisations like Action on Smoking and Health (ASH) can produce calculations indicating how many such illnesses are likely to arise among an additional so many smokers, but to my way of thinking such figures merely give a spurious verisimilitude to an argument that needs no such support.

It is enough to say that a lot more people will die. There are those who will respond, "So what? In a free society it is the smokers' privilege to take the risk. They are adults, who know what they are doing . . . etc." There might even be more, about the state not being a nursemaid. This is to misunderstand the essence of Lawson's Law.

For there is nothing in that estimable nostrum about saving people from themselves. There is no element of do-goodery in it. It is simply that when the smokers come, coughing and spluttering, to end their days in the care of the National Health Service it costs the rest of us a great deal of money. Here again ASH might be willing to make various estimates, but there is no need for an apparent precision based on what must inevitably be some unverifiable assumptions. The cost is a very large amount of taxpayers' money. That information is all that is required for Lawson's Law.

Once the law is established, the rest becomes *plain. If* smoking ultimately increases *the burden on the Exchequer,* then the burden on the smoker *must be increased.* The duty on tobacco must rise at a rate *faster than retail prices.* It might be objected that this can be *self-defeating, since a reduction* in the quantity of smoking will eventually reduce the rake-off from the duty; against that, it will also reduce the cost at the Grim Reaper's end of the equation. Others might point out that smoking actually saves taxpayers' money by reducing longevity. This is true only to the extent that state pensions are involved. But since Mr Lawson aims to accelerate the growth of private pensions, sooner or later the arithmetic will turn against that argument.

The case for a higher tax on smoking has been further strengthened by the evidence from the Independent Scientific Committee on Smoking and Health, referred to in the Commons by Mrs Edwina Currie, Under-Secretary for Health, last week. It turns out that the risk of lung cancer is probably increased by breathing in other people's cigarette smoke, although this has not been unequivocally demonstrated. Opponents of "passive smoking" suggest that between 200 and 300 non-smokers are hit every year. They too will become a burden on the taxpayer, however many of them there really are. The need to apply Lawson's Law is crystal clear, even though in this instance it is other people who are being killed.

Naturally no one would be foolish enough to apply any of this to cigars. What's a good lunch without a Coronary to follow?

Letters to the Editor

Arms and the ministry

From the Director, Institute for Research in the Social Sciences, University of York

Sir,—Sir John Curtiss (March 13) presented the standard case for a UK defence industrial base (DIB). Reference was made to "its vital significance, its contribution to jobs, technology and the balance of payments," and to defence manufacturing being part of the "fabric of our economy." Interestingly, there was no mention of the contribution of the DIB to the defence, protection and security of UK citizens.

After the Westland and Nimrod controversies, there is now a need for a *genuine* debate about the UK DIB. What does it mean; why is it needed; what is its minimum size and composition; what are the benefits to the UK; how much are we willing to pay for these benefits and what would be the implications of *a slightly* smaller DIB? All too often these questions have been ignored and the subject of the DIB has been long on nationalism, myths and emotion and short on *economic* analysis, critical evaluation and supporting evidence.

Arguments about the DIB *cannot ignore* three important issues. There are alternative *and often* better ways of achieving national economic *benefits concerned* with jobs, technology and the balance of *payments.* Buying British defence equipment can involve higher costs and delays in delivery (eg Nimrod AEW). *Fewer new* weapons and older equipment will weaken the effectiveness and protection provided by *our* defence forces *(a defence review by stealth).* Questions have to be asked about the aims of defence policy: is it protecting British defence producers or UK citizens? Taxpayers and citizens would benefit from a more open debate on these issues.

(Dr) Keith Hartley.
Heslington, York.

GT's management contract

From the Joint Managing Director, GT Management.

Sir, — We are concerned that certain *statements* which are contained in Monday's Lex column, and which relate to GT Management, are liable to be misinterpreted. In particular, the bid for the Berry Trust failed because the terms which were offered were inadequate. Subsequent events have proved that the shareholders judgment in this matter may have been right. *The preservation* of GT's management contract was not an issue.

United States Debenture Corporation *retains* GT Management as its investment manager, and the *function* of providing investment advice and management should not be confused with the function performed by the directors of USDC in the general conduct of its affairs.

R. J. Boyd,
8th Floor,
8 Devonshire Square EC2.

The increase in unemployment

From Mr J. Smurthwaite.

Sir,—One is perhaps entitled to expect a greater display of humility than that evidenced by the letter from Sir Fred Atkinson and others (March 16) since the *writers would* claim to have been Chief Economic Advisers to governments from *1947 to* 1979, the period that marks our economic decline as a nation.

It is surprising to see that these self same *gentlemen* presume to lecture upon the causes of the *increase in the* number of unemployed since 1979 without mentioning their responsibility in the matter. Among *other* things, they seem to have forgotten the introduction *of* Selective Employment Tax to cope with the *financial crisis* induced by Dennis Healey in his disastrous *chancellorship.* The addition of 3½ percentage points to the *employer's* national insurance contribution was the equivalent in profit terms of a permanent reduction in turnover of between 15 per cent and 25 per cent for our labour intensive *industries.* Few such companies could cope with this jobs tax without massive redundancies and in some cases complete *closure* and thus a large part of the increase in unemployment *since* 1979 can be attributed to the continuing impact of this tax. The guilt of the Labour Party for the introduction of *this* pernicious tax, and the Economic Advisers who helped *it, seems* quietly to have slipped from their collective minds.

John Smurthwaite,
6 Welcombe Road,
Stratford-upon-Avon,
Warwicks.

Illustrious advisers

From Mr W. Hodgson

Sir,—It is common ground that mass unemployment is an evil, as spelled out by the *illustrious* Chief Economic Advisers (March 16), some of whom presided over its accelerating rise dating back to 1967, and all of whom share some responsibility for the relative decline of the UK economy since 1947. Their plea for a change of course, an art form in which they were all well practised, might have some credibility if their current analysis included recognition of the recent (*that is since 1979*) strong growth in productivity.

Productivity growth *is* a contributor to unemployment in the *short term: in the long* term, it alone will see off mass unemployment.

William J. S. Hodgson.
19 Beauclerc Road, W6.

Evaluate the results

From Sir Geoffrey Finsberg MP

Sir,—So five of the Chief Economic advisers to HMG between 1947 and 1979 consider (March 18) present economic policies wrong. The *authors of devaluation and* massive IMF loans hardly seem *to me to have demonstrated* great expertise in success — I *suggest that* advice is best evaluated by its results and, therefore, ignored.

(Sir) Geoffrey Finsberg.
House of Commons SW1.

National disaster fund

From Mr P. Jackson.

Sir,—Reference your article on the Zeebrugge fund (March 14) while fully sympathetic, dare I ask why it is necessary at all to collect several million pounds for victims of disaster who will also be compensated from liability insurance, to which we all subscribe indirectly by way of premiums?

Should there not be a national disaster fund run as a charity to cover victims of any disaster, home or abroad, who have no source of compensation and no redress for their misfortunes?

After all we do not have disaster funds for the thousands of road victims, those injured or killed at work, etc!

P. L. Jackson.
7 Needles Point, Ravens Way, Milford-on-Sea, Hants.

Co-operation in Europe

From the President, European Parliament.

Sir,—Christopher Tugendhat has suggested (*March 10*) that the European Commission should not pay too much attention to the European Parliament as any new system of financing for the Community must be agreed unanimously by the member states.

This could not apply in respect of the *annual* budgetary procedure, which is normally concluded only by the signing of the budget by the President *of the European Parliament.*

The real debate now starting *in the European Community is* about much more than an increase *in own resources or* a more equitable distribution of budgetary *burdens on member* states. The Commission's *proposals, as set out* by Mr Delors, recognise the urgent need to tackle excessive agricultural spending, on which the European Parliament has taken the lead, and to reform the Community's structural funds in a manner consistent with the requirements of the Single European Act in order to help achieve a genuine common market.

I will be chairing a special Parliamentary committee which will prepare the European *Parliament's* considered response to the challenging ideas put forward by the Commission. This will represent *no* less than the discharge of our democratic responsibility.

I will be expecting the Commission and the Council to take very careful note indeed of our response to the Delors package. *Creative co-operation* between all European institutions in *this process will yield the surest* hope of ensuring the future of the European Community.

(Sir) Henry Plumb,
10 Queen Anne's Gate, SW1.

Industry and schools

From Mr M. Gainsborough.

Sir, — In his article on the shortage of physics teachers (March 3), Ralph Atkins reports that the difficulty in hiring physics, maths and craft, design and technology teachers has begun to worry industry.

Surely one way round this problem would be for industry to release some of their staff to teach these subjects on a part-time basis in local schools. This would also help school children to appreciate at first hand the sort of people they would be working with in industry and so contribute to industry being regarded as a more worthy career.

One can see all the problems with such a proposal. But given salary levels for physics teachers quoted in your article and the unlikelihood that governments will have the money to bring about an order of magnitude change in the salaries of science teachers, this would be one way in which *industry* could both help itself and the nation.

M. Gainsborough,
Centre for International Affairs,
Harvard University,
1737 Cambridge Street,
Cambridge, MA 02138,
USA

FINANCIAL TIMES

Thursday March 19 1987

Aquino gains dangerous allies in fight against communism, **Richard Gourlay** reports

No room for neutrality in Davao

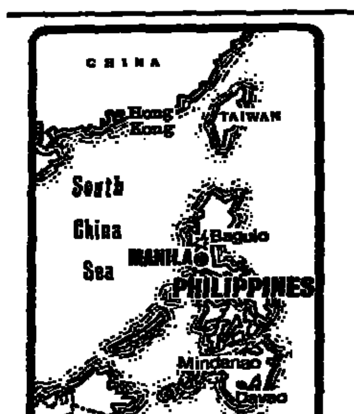
JUAN PALA spends five hours a day denouncing people he suspects are communist sympathisers over the airwaves of Davao City in the Philippines. He is inspired, he says, by the writings of Hitler and Goebbels. Intoning anti-communist poems and threatening to send the military against anybody who does not heed his word, he urges the people of Davao to join the armed vigilante force of the Alsa Masa, which in the local Cebuana dialect means People Arise.

Colonel Franco Calida, who is Pala's military mentor and protector and enjoys the backing of the top regional commanders, explains what it all means. "Anybody who does not join the *Alsa Masa* is a communist. There is no neutrality."

The hysteria Pala has helped develop in Davao is part of a military push against communist-led New People's Army (NPA) rebels in Mindanao, the state that General Fidel Ramos, the armed forces chief, has called "the laboratory of communism in the Philippines." It appears to be working as the rebels have withdrawn from some of their strongholds into the hinterland.

Mindanao, where 15m or 27 per cent of the population lives, has become during the 18-year insurgency the most heavily NPA-infiltrated area in the country. Moslem rebels struggling for self determination add to the image that the island is an untamed frontier.

Last month a 60-day experimental ceasefire between the Government and the communists ended with no sign of a lasting peace in sight. Since then the number of clashes has risen at a rate that has begun to alarm the military and foreign diplomats, with the most recent NPA success coming yesterday when 19 soldiers died in an ambush. More than 200 people have died since fighting resumed, according to military reports, and there are few signs of mass defections from the NPA force, said to number between 16,000 and 23,000. Even before yesterday's ambush the army needed a success to boost its sagging morale.



A BOMB explosion killed four people yesterday in the grandstand of the Philippines' most prestigious military academy, where President Corazon Aquino is due to address cadets on Sunday. A Defence Department spokesman said there were no clues whether the alarm clock-triggered bomb was planted by New People's Army rebels or other disaffected groups. Mrs Aquino plans to go through with passing-out ceremony for 147 elite officer cadets although the ceremony could be delayed. The grandstand was totally destroyed by the bomb which threw rubble on to the victims who were rehearsing the passing out parade below.

However, the apparent military success around Davao poses a problem for President Corazon Aquino. As she reminded her Defence Secretary and local government secretary on Monday, armed vigilante groups and private armies must be disbanded under the newly-approved constitution.

On the other hand she has said she is "fascinated" by the concept of civilian vigilante groups to combat the NPA, although she appears to favour Alsa Masa's as yet unarmed equivalent, the Nakasaka – unarmed, that is, apart from spears and native machetes. Its members warn police about communist movements.

Until the NPA is disbanded, though, the Government is apparently ready to rub shoulders with characters like Pala who detest the political tolerance and pluralism that President Aquino supports, and who are using terror tactics and intimidation against the villagers whose hearts and minds she is trying to win.

Mr Jaime Ferrer, local government secretary, wants similar vigilante groups set up throughout the Philippines. The Unification Church of Rev Sun Myung Moon, through its political arm Causa, which last week awarded Pala a medal, is backing a number of these in other areas.

Many residents of Davao, including Mr Jesus Ayala, Mrs Aquino's top adviser, are strongly against disarming the Alsa Masa and advocate arming the Nakasaka. But the vigilante system is starting to show its faults. After a burst of broadcasts by Pala last month, more than 20,000 people fled their homes, leaving ghost towns for the military to patrol. He had threatened to daub crosses on the houses of those he suspected of being communist sympathisers and to bomb villagers if they did not move. Neither threat was carried out and Pala claims they were simply psychological warfare.

A well-honed sense of self perservation among the local population has helped swell Alsa Masa's ranks to over 50,000, according to Col Calida. He does not know how many are armed, however, even though the force is under his command.

Mr Ayala sees the vigilante group as a necessary short-term solution *but recognises the pitfalls.* "I will get a vicious guard dog even if I know it will bite me because I know I need protection," he says. Government control over Alsa Masa is already tenuous. Despite denials from Manila that the army is arming the group, Col Calida has been openly supplying its members with high-powered Armalite and M16 rifles.

The propaganda element of the campaign in Davao has its macabre side. The mayor has refused to rebury 150 exhumed bodies that Col Calida claims are victims of NPA killings until they have been paraded through the street as a public *example of the evils of communism.*

More sinister are the first signs of a communist witch hunt. The Alsa Masa killed a student last week, mistakenly believing he was the leader of the League of Filipino Students. When priests and nuns spoke out against what they saw as the polarisation of the population, Pala denounced them as communists and daubed walls with slogans calling the nuns "angels of Satan."

One priest in Davao said he suspected that efforts to improve economic conditions – which is what villagers are most interested in – are somehow being forgotten in the growing hysteria. For this, he was denounced by Pala as a communist.

Britain to privatise rest of BP in £4bn flotation

By Peter Riddell in London

THE BRITISH Government intends to sell its remaining shareholding in the oil company BP in the coming financial year. Its stake of nearly 32 per cent of the total BP equity was valued at nearly *£4.8bn* ($7.2bn) last night's closing price of 828p.

The announcement was made in the UK parliament last night by Mr Norman Lamont, financial secretary to the Treasury. It followed the close of both the London stock market and Wall Street on which BP is *quoted.*

The Goverment has had a long-*standing* policy of selling its minority holdings in companies but the timing of the announcement about BP is a surprise.

Mr Lamont said that as part of this policy and subject to market conditions, the Government *would sell its remaining 578.5m shares in* BP during the 1987/88 financial year.

No decision have yet been made either about the timing, or method, of the sale or whether, and how many, instalments will be required.

Nevertheless, it is clear the sale will make a major contribution to the Government's target for privatisation proceeds of £5bn in the 1987/ *88 financial* year.

Following existing sales, the Government is assured of receiving £1.6bn in a further instalment on British Gas shares, together with a second instalment on the British Airways flotation of £400m.

In addition, Mr Lamont confirmed the forthcoming sale of Rolls Royce and of the British Airports Authority in the summer. Together, *the proceeds of these two sales* are unlikely to total more than £1bn.

The announcement about BP ensures that the Government will meet its £5bn target for privatisation proceeds.

Parts of the Government's holding in BP started to be sold ten years ago by the then Labour government. The most recent sale was in September 1983.

Officials pointed out *last* night that since BP is an integrated oil producer *it is less affected by fluc*tuations in the oil price than some *other* companies.

The Treasury announced last night that merchant banks and stockbrokers interested in being considered as financial advisers should apply to it by setting out their preliminary views on the approach to the sale and proposals for fees and charges.

The move is certain to be attacked by the opposition Labour Party, *particularly so soon before* a general election.

THE LEX COLUMN

Prudence, meet patience

The gilt-edged market's second *thoughts on Tuesday's budget* were about as favourable as its first ones, even when the base rate cut turned out at only a half point. As the restraint on interest rates allowed sterling to continue to firm yesterday, everyone could expect another cut soon. The foreign exchange market knows full well that the authorities *will resist any further* strength in the pound, fearing that it would hurt exporters and so jeopardise the growth forecasts. A £4bn ($6.3bn) public sector borrowing requirement (PSBR) for 1987-88 is still the focal point, and earlier *fears* of monetary imprudence *fol*lowed by a post-general election *clamp down* are *now* forgotten. The sadder conclusion for the equity market, after Tuesday's initial enthusiasm, was that the budget held little for shares beyond lower gilt yields.

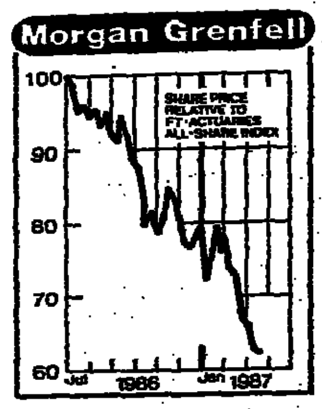
The main concern now is whether *the* rest of the country *thinks* the budget is such a vote winner as the *City of London* does, and the *first* few post-budget opinion polls will get even closer attention than recent ones. There is also the lesser worry that the building societies will use the gradualist approach to interest rate cuts as an excuse to delay a mortgage rate reduction. Their cash problems argue for a cut later, and smaller than the politicians might want, especially if elec*tors are to see the benefit* in the inflation figures in time for a June election. But that is just another argument for an October poll.

United Biscuits

Cash-positive despite its heavy investment programme and just about to give its shareholders the benefit of increased efficiency and stronger brands: that was the flavour baked into the United Biscuits statement yesterday.

Raising the dividend three times faster than last year's growth in earnings per share is about as clear a signal as management ever sent to shareholder.

Coupled with UB's report of a cracking start to the current year, that should be enough to set the market looking for at least a 10 per cent *growth in EPS to set against* the 6 per cent just achieved, and Keebler's emergence at the head of the pack in US cookies – soft, hard



or salty – is the sort of news that goes a long way to vindicate the UB strategy and there are encouraging *signs* of a stronger grip on businesses like frozen food and restaurants in the UK.

Perhaps the virtually unchanged share price yesterday (up 1p to 278p) indicates that the market had fully discounted the possibilities beforehand. *It is equally consistent* with a touch of seasoned caution.

Keebler is indeed reaping the benefits of greater efficiency, after closing its Philadelphia plant in the 1985, and margins have widened impressively. But the quest for volume, and the marketing spend, court retaliation from Nabisco, which is still by some way the higher margin producer in the US; market *leadership may* not be in the bag. And if UB does launch upon a large US acquisition, as it well may, shareholders' hopes for 1988 earnings may crumble yet.

Turner & Newall

The market's neutral reaction to the latest rights issue from the enlarged *Turner & Newall may* merely reflect uncertainty among the opinion formers as the engineering analysts take over from the specialists in building materials. Judging by T&N's simultaneously issued results it is, however, the appropriate response. The widely-lauded journey into new products and continents may now be successfully completed, but it has been a costly trip with much of the benefit yet to be enjoyed.

The former partisans of AE's independence – who never denied the logic from the enemy's perspective – will point up the war damage of a combined £15m bid bill and the diversion of both management teams. That, along with the mining slump, must have contributed to T&N's flat underlying figures which only reached the promised rise in profits thanks to last year's rights issue, a larger pension fund holiday, and an early dip into the pool of ACT. For the current year, the effect of a bloated provision at AE and a shrinking tax charge should produce some more respectable numbers *especially* if motor components starts to benefit from the D-Mark's rise.

But squeezing more out of AE will be a delicate operation. T&N's reporting procedures may not always be appropriate for a far more integrated business with a lot of inter-company trading, and extensive pruning of *capital* expenditure will send the tax charge creeping up again. Whatever the *doubts*, a p/e of 9 is probably ungenerous even allowing for residual asbestosis anxieties.

Morgan Grenfell

The *potential* weaknesses of Morgan Grenfell may, at last, be finding their true reflection in the share price. Absence of a chief executive *makes it difficult for the market* to be sure of the ultimate recovery strategy, and the diminishing likelihood of a takeover removes one form of support, albeit wholly unwanted in Great Winchester Street. It is only necessary to reflect on the outside contingency of a professional liability suit arising from the Guinness affair, and cost pressures on the securities business (including yet more software costs, if not too much in the way of losses on the trading book), and *it is hard to* be confident that profits will move ahead this year from the somewhat disappointing £82.2m reported yesterday.

Yet there is fortunately plenty to stop the price from dwindling much below the present 365p (down 9p). Neither staff nor customers have defected in numbers, and Morgan has still a powerful assemblage of investment banking skills and is trying hard to broaden its revenue base. Shareholders, *and regulators*, may wonder at the assertion that Morgan's corporate finance team is not changing its methods – only their presentation. But clients may secretly be relieved.

CGE to launch record equity issue

BY PAUL BETTS IN PARIS

COMPAGNIE *Générale d'Electricité* (CGE), the nationalised French telecommunications and heavy engineering group, is planning to launch the largest ever new equity issue on the French market to coincide with its privatisation early next May.

The total operation will involve about FFr 14bn ($2.29bn) with about FFr 8bn going to the Government from the state *sell-off* and about FFr 6bn into the company's balance sheet *from the new share* issue.

CGE is the second large state industrial group to be sold by the conservative Government after Saint-Gobain, the pipes and glass group, whose flotation raised about FFr 8.5bn last December.

The French telecommunications and engineering group, which is expected *to report next month* a 30 per cent increase in net earnings to about FFr 1.6bn for 1986 on sales of FFr 84bn, has been anxious to combine a major capital increase with its early privatisation to help strengthen its balance sheet following its recently completed landmark telecommunications deal with ITT of the US.

CGE's Alcatel telecommunications *subsidiary has now gained* control of a joint venture grouping together CGE's and ITT's worldwide telecommunications assets to form the world's second largest telecommunications concern after AT&T.

The CGE proposed new equity issue of about FFr 6bn is even larger than earlier French market expectations of a new share issue totalling about FFr 5bn. It will be by far the largest new equity issue *made* by a French industrial concern, top*ping L'Air Liquide's FFr 2.7bn* last year.

It will also be larger than the big non-voting share issues *(certificats d'investissement)* made by large French state banks last year, including a FFr 5.3bn issue by the Banque Nationale de Paris, a FFr 4.29bn issue by Credit Lyonnais and a FFr 3.65 issue by Paribas, which has just been privatised.

Although CGE's net assets are valued at between FFr 7bn and FFr 11bn, the Government is expected to sell the company at the lower end of the range for about FFr 8bn. The Government is still studying the pricing of the sell-off, but the lower price *is expected to reflect* the more speculative nature of the CGE privatisation *compared with* the previous highly successful flotations of Saint-Gobain and Paribas.

The CGE operation has long been seen as representing the biggest challenge so far for the Government's privatisation programme, largely because of the risks over CGE's telecommunications deal with ITT.

However, CGE is expected to launch a major communications campaign next month to promote *the combined state sell-off* and the record new equity issue which are expected to be launched simultaneously around May 11. The Government is being advised by Credit Lyonnais and Morgan Stanley on the privatisation of CGE, whose own advisers include Société Générale and Lazard Freres.

Although doubts have been expressed about CGE's telecommuni*cations venture with ITT*, a number of finanical analysts consider the risks over CGE to be of a long term rather than short term nature.

CGE, which has reported average annual earnings increases of about 30 per cent during the past five years, *is now expected* to start reaping some of the fruits of the restruc*turing of the French telecommuni*cations industry, involving the merger of the telecommunications assets of Thomson, the nationalised French defence and electronics group, with those of CGE's Alcatel subsidiary. This has involved job reductions in the merged operations of about 18,000 people in 18 months. Moreover a number of large Alcatel orders won in previous years are *now being shipped, boosting* cash flow in the shorter term.

Moreover, the ITT deal is expected initially to generate cash flow to CGE because of the increase in the rhythm of shipments of ITT's System 12 digital exchange. The System 12 order book is understood to involve orders for about 13.5m lines and 2.5m lines are expected to be installed this year.

CGE has also started working on the restructuring of ITT's telecommunications operations and the merger with Alcatel. With sales of about $6bn a year and employing about 90,000 people, the restructuring of the ITT operations is expected to involve job cuts of about 20,000 people during the next four years, about *7,000* involving ITT's lossmaking Spanish operations.

Bonn receptive to Moscow's new approach

Continued from Page 1

Under Secretary of State, said yesterday at the end of two days of talks in Moscow that progress towards an agreement on medium-range nuclear missiles in Europe could open the way for a summit between President Reagan and Mr Michael Gorbachev, the Soviet leader.

Details of the agreement still needed to be worked out, Mr Armacost said, but he added: "I sense a spirit of desire on both sides to work through these *details. I hope* that would open the door to a summit in Washington."

Mr Armacost, the most senior US official to visit Moscow since the Reykjavik summit last October, said his talks on regional issues such as Nicaragua, the Gulf war and the Middle East, were "very *useful, frank, friendly* and constructive."

He said he also discussed details of the trip Mr George Shultz, the US Secretary of State, was due to make to the Soviet Union on 13 April. Mr Shultz's visit is expected to play an important role in the moves to achieve an agreement on *medium-range nuclear missiles.*

US-Soviet relations have clearly improved since Mr Gorbachev announced at the end of last month that he was prepared to discuss medium-range missiles in Europe without reference to President Reagan's star wars strategic defence initiative (SDI) or the rest of the package of arms limitation measures agreed in Reykjavik.

The Soviet Union's motives for talking about medium-range missiles separately include a desire for a least some arms limitation agreement with President Reagan, a wish to keep up the momentum of arms control talks and the knowledge that the Iran arms scandal has made the US administration more anxious for a foreign policy success and a summit.

Shift to steady pound

Continued from Page 1

D-Mark. "It is certainly conceivable", he said.

The shift in official policy dates back to last month's meeting of major *industrial nation's* in Paris. Finance Ministers of the Group of Five and Canada industrial countries agreed then to promote a period of stability on foreign exchange markets.

The accord was primarily designed to hold the dollar in certain ranges against the yen and the D-mark, but also involved commitments from the smaller countries.

At the time of the Paris meeting Mr Lawson said he did not want the pound "*to fall nor to rise substantially*". Yesterday, however, he said that sterling's appreciation since then meant the formulation had changed. It was no longer as "lopsided" as between downward and *upward shifts.*

It is thought that the ministers in Paris agreed a private communique containing the agreed target ranges *for their currencies. A European* monetary official said that, as far as sterling was concerned, the midpoint of its range had been slightly above the rates prevailing at the time of the accord.

British officials, however, have denied that a specific range of rates had been set for sterling. The official Whitehall line is that while there may be an implicit target *range* for sterling at any given moment, the parameters are constantly shifting in response to both domestic and external developments.

Japanese telecom partners to merge

BY IAN RODGER IN TOKYO

THE leading Japanese partners in the two consortia competing for an international telecommunications licence in Japan have agreed to merge.

The agreement, announced yesterday by Mr Fumio Watanabe, a senior businessman who had been retained as a mediator between the two groups, *means that* the role of Cable & Wireless of the UK in the new venture will be insignificant.

The merger will also come as a disappointment to the British Government. A British diplomat in Tokyo *yesterday* described it as "a very unpleasant surprise."

Mrs Margaret Thatcher wrote personally to Mr Yasuhiro Nakasone, her Japanese counterpart, supporting the consortium in which C&W has an important stake. She said this was an opportunity for Japan to show that its market really was becoming more open.

In London last night, C&W said it had not yet been informed of any merger agreement, but the proposed terms ignored both the public support of Mrs Thatcher and of Japan's Foreign Ministry.

Many in Japanese Government and business circles appear to have been offended by the strong political pressure used by C&W to advance its case.

In the end, the British company's Japanese partners in the International Digital Communications Planning consortium agreed to the merger rather than continue to fight for their project.

C&W has a 20 per cent stake in the consortium. Under the merger agreement, no single shareholder will have more than 5 per cent, and foreign companies, including C&W, will be allowed to hold only 3 per cent each.

It is widely assumed the merged venture will carry out the proposal *of International Telecommunica*tions Japan, the other consortium, which involves leasing circuits from the existing monopoly supplier, Kokusai Denshin Denwa. IDC had planned to build its own infrastructure, taking advantage of the exper*tise of C&W and another foreign* partner, Pacific Telesis of the US.

This will also come as a disappointment to the British Govern*ment, which is encouraging competition* in the worldwide telecommunications industry.

British officials have made clear to their Japanese counterparts that they did not think the ITJ formula would provide real competition for KDD.

The parties to yesterday's agreement were the leading Japanese companies in the two consortia – C.Itoh, Industrial Bank of Tokyo and Nomura Securities from ITJ.

They agreed that C&W and Pacific Telesis should be invited, along with the other 90 companies in the two consortia, to join the merged group. However, the foreign companies would be allowed to provide only non-executive directors.

Mr Watanabe said that, as no company would have more than 5 per cent.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	S	9	48	Malta	S	15	59	Rhodes	S	12	54
Algiers	F	14	57	Edinburgh	F	5	41	Manchester	F	5	41	Rio de J'o	S	21	87
Amsterdam	C	4	39	Faro	C	16	61	Manila	–	—	—	Rome	F	12	54
Athens	F	11	52	Florence	C	4	39	Melbourne	–	—	—	Salzburg	F	8	46
Bahrain	S	25	77	Frankfurt	R	6	43	Mexico City	C	28	83	San Francisco	S	9	48
Bangkok	S	36	97	Funchal	C	17	63	Miami	F	20	68	Seoul	S	12	54
Barcelona	S	15	59	Geneva	C	7	45	Milan	D	4	39	Singapore	S	33	91
Beirut	S	18	64	Gibraltar	C	15	59	Montreal	S	-6	21	Stockholm	F	0	32
Belfast	F	5	41	Glasgow	F	6	43	Moscow	C	-1	30	Strasbourg	C	8	46
Belgrade	S	8	46	Guernsey	S	8	46	Munich	C	5	41	Sydney	S	26	79
Berlin	R	5	41	Helsinki	S	-3	27	Nairobi	–	—	—	Taipei	C	28	82
Biarritz	C	10	50	H. Kong	R	22	72	Naples	S	10	50	Tangier	S	18	64
Bombay	–	—	—	Innsbruck	F	7	45	Nassau	C	26	79	Tel Aviv	C	16	61
Bordeaux	C	11	52	Inverness	S	4	39	New Delhi	S	33	91	Tenerife	D	20	68
Brussels	F	1	34	Islamabad	C	25	77	New York	S	3	37	Tokyo	S	15	59
Budapest	C	2	36	Istanbul	C	2	36	Nice	S	14	57	Toronto	S	-4	25
B. Aires	S	26	79	Jakarta	C	30	86	Nicosia	C	13	55	Tunis	F	15	59
Cairo	C	22	72	Jersey	F	9	48	Oporto	S	13	55	Valencia	S	16	61
Cape Town	–	—	—	Jo'burg	C	26	79	Oslo	Sn	-3	27	Venice	C	6	43
Caracas	C	27	81	Lima	S	26	79	Paris	C	8	46	Vienna	F	3	37
Casablanca	C	19	66	Lisbon	S	17	63	Peking	–	—	—	Warsaw	S	4	39
Chicago	F	3	37	London	C	7	45	Prague	F	3	37	Washington	S	2	36
Cologne	R	2	36	Los Angeles	S	11	52	Reykjavik	Sn	-6	21	Zurich	S	7	45
Copenhagen	C	3	37	Luxembourg	Sl	3	37								
Corfu	S	12	54	Madrid	S	13	55								
Dallas	S	8	46	Majorca	S	14	57								
Dublin	F	5	41	Malaga	C	16	61								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

هكذا من الأصل

Financial Accountant

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The Imperial Cancer Research Fund, a world leader in research into prevention, control and cure of cancer, operates specialist laboratories employing some of the most eminent scientists in the world.

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INTERNATIONAL APPOINTMENTS

BHP brings in a series of key management moves

BY GORDON CRAMB

A SERIES of key management changes at Broken Hill Proprietary (BHP), Australia's largest company, has accompanied the integration announced this week of its minerals interests worldwide.

The move ends the separate identity previously preserved for Utah International, the San Fransisco-based mining company acquired by BHP more than three years ago. Rationalisation of parallel activities is intended to improve efficiency while retaining "the inter-international expertise of the Utah board," the group says.

As is common in BHP, all appointments have been made internally.

The creation of BHP-Utah Minerals International as a new operating division will take effect from June 1, and coincides with the retirement as chairman of Utah of Mr Alexander (Bud) Wilson.

The restructured unit will be headed by Mr Jim Curry, currently a Utah vice president. All BHP's oil and gas interests will meanwhile be brought together under BHP Petroleum International, headed by Mr Peter Willcox. This will include North American operations under Mr Dick Volk.

On the minerals side Mr Rod Harden, general manager of the old BHP Minerals, will be group executive in charge of the Asia-Pacific region for the enlarged division. Other positions have been filled almost entirely by Utah staff.

Mr Keith Wallace becomes national minerals, while control of global marketing and services will fall to Mr Charles McArthur—both are Utah vice presidents. An Australia coal division has been formed, replacing separately managed operations, and this will be headed by Mr Gavin McDonald. He is president of Utah Development, the Queensland mining arm which has long been part of the California company.

Among those reporting to Mr Harden is Mr Dick Carter, as general manager for non-ferrous metals and business development in the Asia-Pacific. Mr Carter at the same time is executive director of BHP Gold mines, which the group is at present engaged in spinning off to shareholders.

Nasdaq takes governor from Jaguar

THE BOARD of Governors of the National Association of Securities Dealers, of the US, has elected Mr Graham W. Whitehead — president of Jaguar Cars Inc, the subsidiary of Jaguar of the UK—as one of its three governors-at-large representing Nasdaq companies.

Jaguar represented the third most active security in the Nasdaq market in 1986, with a trading volume of 259.2m shares.

Jaguar Cars, based in Leonia, N.J., markets Jaguar vehicles throughout the US. Mr Whitehead is in charge of Jaguar's North American operations, and is a member of the board of Jaguar PLC, the parent company. He is chairman of Jaguar Canada Inc and a director of Jaguar Cars Ltd., the manufacturing/marketing subsidiary of Jaguar PLC.

He is also president of the British Automobile Manufacturers' Association and past president of the British-American Chamber of Commerce.

Nasdaq is the self-regulatory organisation for the over-the-counter securities market. It owns and operates the Nasdaq system, the communications facility for the Nasdaq market, on which 5,200 stocks are traded.

Brierley in chair at Bank of NZ

By Dai Hayward in Wellington

Mr Ron Brierley, New Zealand financier, now in a major banking seat

MR RON BRIERLEY, the New Zealand financier and head of the Brierley group of companies, with substantial interests inside and outside New Zealand, has been appointed chairman of the Bank of New Zealand, the state-owned, leading commercial bank.

Mr Brierley, 49, who has been a member of the board and deputy chairman, will oversee the sale by the Government of 30 per cent of the bank to private shareholders.

Change in lead at NL Industries

BY DONALD MACLEAN

Mr HAROLD SIMMONS, the US financier, has taken over from Mr Theodore Rogers as chairman and chief executive of NL Industries, the US oil services and chemicals group.

Mr Rogers has resigned both from NL Industries and from NL Chemicals, a subsidiary which may be sold to NL Industries for close to $1bn.

Mr Simmons last year led a group of investors, now gathered under the name of Valhi Inc into a 51 per cent interest in NL Industries. Valhi has various interests outside NL which include sugar, forest products, fast foods and oil services.

Mr Fred Montanari is to remain executive vice-president of NL Industries and president of NL Chemicals.

Mr Rogers took over as company chief executive in 1983, and as chairman in 1984. He is to remain as a consultant to the company.

* * *

USG Corporation, formerly US Gypsum, which has interests in various construction materials, has made a number of changes of responsibility in its senior management.

Mr William J. White, 48, executive vice president of USG Corporation, and formerly president and chief executive of USG Interiors, has become president and chief executive of United States Gypsum Company.

Mr Eugene B. Connolly, 55, formerly president and chief operating officer, United States Gypsum, has been elected executive vice president, USG Corporation, and president and chief executive of USG Interiors.

Mr Anthony J. Falvo, 58, president and chief executive of Masonite Corporation, has been elected vice president, USG Corporation. Mr Stanton T. Hadley, 50, formerly senior vice president, administration and secretary of USG Corporation, has been elected senior vice president, staff services, of the company.

Mr Edwin L. Wade, 55, formerly corporate counsel, has been elected corporate secretary. Mr Brian W. Burrows, 47, formerly director, research and development, has been elected vice president, research.

* * *

NCR Corporation, the information processing concern, based in Dayton, Ohio, has announced the appointment of Mr Frederick Newall as vice president of the Europe group; Mr John L. Quinlan as vice president, marketing, Europe group; Mr John L. Giering as general manager, NCR France; and Mr Roger C. Lintern as corporate controller.

Mr Newall is to succeed Mr Herber M. Schene, who has announced his retirement

Accountancy Appointments

Finance Director

Bowater Industries plc

Salary c.£75,000 plus benefits

Bowater Industries is a major British public company with extensive UK and overseas operations. The businesses in Packaging and Builders Merchants, and also those in Australia, have recently expanded significantly. All of its traditional paper interests have now been sold and the company will be establishing a new strategic direction under the leadership of Mr. Norman Ireland, formerly the Finance Director of BTR, who becomes Chairman on March 31st, 1987.

The Finance Director of Bowater Industries will play a pivotal role in the planning and implementation of this new corporate strategy. He (or she) is likely to be under 45 years old and must already have had experience as a successful chief financial officer for a complex and international industrial business. The job demands a strong commercial bent and the ability to spot essentials quickly and decisively. It demands management and communication skills, great energy and the ability to plan and implement change in a highly decentralised organisation. There is a clear opportunity for the right person to move in due course into a general management role.

Please apply in the first instance to J. F. H. Pease-Watkin, Bowater Industries plc, Bowater House, Knightsbridge, London SW1X 7NN. A firm of international management consultants is assisting in this appointment.

BOWATER

Financial Accountant

A high profile role with a European market leader

South Oxfordshire c.£20,000+Car

Akzo Coatings is one of the most exciting businesses in the UK paint industry. A subsidiary of one of Europe's largest and fastest growing paint manufacturers, it was formed recently and incorporates the brand-leading names of Sandtex, Permoglaze and Sikkens.

The finance function is very proactive, playing a major role in deciding the company's strategic direction and in the overall running of the business. As Financial Accountant, you will be responsible to the Financial Controller for ensuring that the company's financial policies and procedures meet the rapidly changing needs of the business and are efficiently implemented. This will involve constantly reviewing and modifying accounting systems. You will manage a team of over 20, responsible for credit control, purchase ledger, staff expenses, payroll, banking/cash, fixed assets and data control. Close liaison with commercial departments will be necessary.

Probably in your late twenties or early thirties, you must be a qualified accountant, preferably chartered, with commercial/industrial experience. You must have been involved in the development/operation of fully computerised systems. A strong business sense and effective communications skills are essential.

Excellent benefits include generous assistance with relocation costs where appropriate.

Please send your full c.v. to Martyn Wright, Personnel Manager, Akzo Coatings plc, 99 Station Road, Didcot, Oxon OX11 7NQ.

Alternatively, please ring our 24 hour answering service on Didcot (0235) 819507 for an application form quoting Ref: 77.

We are an equal opportunities employer.

Akzo Coatings

ACCOUNTANT

SUPERANNUATION INVESTMENT

Kingston upon Thames £14,838-£17,514

Salary at appointment dependent upon experience and qualifications; progress to grade maximum related to personal development.

Surrey's Superannuation Fund has a market value of £250 million. The portfolio is managed by three firms of investment specialists with a small section set aside for development capital investments. Duties include accounts, advice on investments strategy, stock lending and appraisal.
Surrey County Council provides flexible working hours, staff restaurants, social and sporting facilities and staff car parking. Generous relocation allowances are available in appropriate cases including up to £3,625 for fees and disturbance, in addition to separation and travelling allowances, 100% removal and storage costs and, in certain cases, temporary housing.

The County Treasurer,
P.O. Box 5, County Hall, Kingston upon Thames,
Surrey, KT1 2EA.
Closing date 3 April 1987.

SURREY COUNTY COUNCIL

FINANCIAL DIRECTOR DESIGNATE

Surrey/Hampshire Borders
£25,000 + Car

Young qualified accountant with 3/5 years' PQE required by one of the country's leading companies in the art and stationery industry.

As progression to the Board will be part of the company's build-up to a flotation on the USM, experience with a Big 8 firm is preferable. The successful candidate must be ambitious, highly motivated and should be fully capable of exercising control.

Write with full CV to: R. H. Neville FCA
Menzies Middleton Hawkins & Co
Ashby House, 64 High Street
Walton-on-Thames, Surrey KT12 1BW

Profile Management Search

FINANCE DIRECTOR

£20,000 neg. + car

Our client, a major capital equipment manufacturer, urgently seeks a younger, qualified, Finance Director who has strong experience of cash management and commercial financing. Since over 50% of production is exported world-wide, export finance experience is essential.

The successful applicant will be based in an attractive part of the East Midlands, although some overseas travel may be necessary. He/she will have responsibility for financial and management accounts, systems development, and treasury functions.

If you can demonstrate success in the function, have the stature to command professional respect and contribute positively at Board level, please send your c.v. and current salary details, to:

David Rolls,
Profile Management Search,
Tabard Chambers, 53 Northgate Street, Gloucester GL1 2AJ.

CORPORATE ACCOUNTING OPPORTUNITY

c.£26,000

We seek a qualified accountant who, as our Head of Corporate Accounting Services, will take responsibility for the BBC's budgeting systems, central accounting operation and treasury activities. The successful candidate will contribute to the development of the future financial policy of the BBC and its implementation.

Applicants should have experience of financial and management accounting within a large organisation. In addition to professional skills, the successful person will need the ability to lead and motivate the managers and staff of four departments. We are seeking to recruit someone to this post who has potential for further promotion within the BBC.

Based Central London. Relocation expenses considered.

Contact us immediately for application form (quote ref. 2641/F) BBC Appointments, London W1A 1AA. Tel. 01-927 5799.

BBC

We are an equal opportunities employer

Assistant Company Secretary

Financial Services Sector

c £25,000 + car London SW1

For a long established international commodity trader which is now part of a major American financial services group. The Company Secretary, who is also a Director of the Company, is responsible for all legal, statutory and administrative matters. His department also deals with the statutory work for the other U.K. subsidiaries of the American parent company.

This senior appointment has been created as a result of an increase in the department's workload. The appointed candidate will assist the Secretary in all aspects of his work and supervise two part qualified assistants who specialise in statutory work and employee benefits. He or she will ensure the smooth running of the department on a day to day basis to enable the Secretary to carry out his broader management responsibilities.

You are a Chartered Secretary, probably aged around thirty, with at least three years post qualification experience. You must have a thorough understanding of Company law and some familiarity with pensions administration. Previous experience in the financial services sector would be an advantage. You are looking for additional responsibility and can demonstrate enthusiasm, commercial awareness and the ability to work on your own initiative.

Salary is for discussion according to experience. Benefits include car, non contributory pension, PPP and a subsidised restaurant.

Please write – in confidence – with details of career to date and current salary to Lesley Gifford, ref. B.20247.

MSL Chartered Secretary, 52 Grosvenor Gardens, London SW1W 0AW.

Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL Chartered Secretary

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Accountancy Appointments

TAXATION MANAGER

Home Counties c.£30,000 plus Car

We are acting for a large and long established financial institution, a major force in the life assurance and pension sectors of the market. Their recent growth has been rapid and the organisation is now well placed to embark on a programme of further expansion and development.

Some recent restructuring within the finance function has created an outstanding career opportunity for a tax specialist to manage the tax function, with responsibility directly to the Company Secretary. The manager will head a small team of professionals responsible for the tax compliance work of the group, its subsidiaries, unit trusts and other funds and making a significant contribution to tax planning and advice.

Candidates should ideally be graduate chartered accountants with a strong track record of controlling a small team of tax specialists either within a finance function or with a professional firm. The remuneration package will include the generous range of benefits usually associated with the financial services industry. Career prospects are excellent and personal qualities of a high order are essential.

Please write in confidence with brief career details quoting ref. 3301/7/L to John W. Hills, Executive Selection Division.

PEAT MARWICK

Peat, Marwick, Mitchell & Co.,
165 Queen Victoria Street, Blackfriars, London EC4V 3PD.

USA & EUROPE

The Financial Director of a major Scottish group is looking for two assistant managers to investigate, audit and advise on the growing number of subsidiaries in Europe and the USA respectively.

Based in London or Edinburgh with a high percentage of overseas travel, both positions are likely to lead to line management either in the UK or overseas.

A second language is essential for the European position. Salary negotiable to c.£25,000.

For details call: Charles Cotton on 01-353 1244 or send a brief c.v. to him at: ASA International
107-111 Fleet Street,
London EC4A 2AB.

ASA INTERNATIONAL

Appointments Wanted

CERTIFIED PUBLIC ACCOUNTANT

British national, American qualified, 30 years old, fluent French with Swiss permit, seeks position. Preference is for international controllership or opportunity to represent CA/CPA firm in Genève.
Write: Box A0463, Financial Times 10 Cannon Street, London EC4P 4BY

REUTERS

Financial Manager

EDP Audit
c£35,000 + benefits
London

Reuters, the world's leading supplier of news and financial information, is currently experiencing considerable growth and diversification. This has led to the development of many new computer systems worldwide and resulted in the need to establish a comprehensive EDP audit function.

Reporting to the Head of Internal Audit, the EDP Audit Manager will be responsible for the review of Reuters' computer systems and data centres worldwide, excluding the USA. As such, he or she will be responsible for managing a team of up to six EDP auditors, developing and implementing comprehensive EDP audit standards and procedures and promoting Reuters' security and control standards throughout all its operations. Considerable travel to Europe, Asia, the Middle East and South America will also be involved.

Candidates, ideally aged in their late twenties to early thirties, should be qualified accountants with at least five years EDP audit experience.

'Big 8' and managerial experience, together with a good knowledge of IBM hardware and operating environments is vital. Although not essential, a degree and direct DP experience would be an added advantage.

On a personal level, candidates must have well developed communication skills, be able to influence and persuade others and be prepared to take responsibility for the effectiveness of their department.

The remuneration package is attractive, including a salary of up to £35,000, a car, pension, BUPA and excellent holiday entitlements. Prospects are unlimited for the right person in this dynamic and expanding organisation.

If you would like to be considered for this position please send a full CV quoting your current salary and reference number MCS/5079, in confidence, to: Barrie Whitaker
Executive Selection Division
Price Waterhouse
Management Consultants
No.1 London Bridge
London SE1 9QL

Price Waterhouse

If after several years as a qualified accountant your ambition is still as sharp as ever, then perhaps you should consider the Government Accountancy Service. The sheer scale of our operations means we can offer the challenge of working on a broad range of prestigious projects coupled with career prospects that are unrivalled anywhere else.

We currently have vacancies for several mature professionals. All posts offer a significant degree of responsibility and influence with opportunities to contribute to policy-making at a senior level.

Ministry of Agriculture, Fisheries & Food – Audit

You will use your substantial experience of modern audit techniques to lead a team providing a systems-based internal audit service.

Cabinet Office – Accountancy Training

You should be able to demonstrate a capacity to design, develop and implement Finance and Accountancy courses for Civil Servants at all management levels.

Inland Revenue – Tax Evasion & Avoidance

Working alongside HM Inspectors of Taxes, you will provide advice on all accountancy matters to aid the investigation of fraud and irregularities in business accounts and returns.

Senior Accountancy roles with scope for development

a new rate of growth

up to £20,960 (under review)

For all posts you must possess a professional accountancy qualification (ie. membership of the CACA, ICA, CIMA or CIPFA) and have considerable professional experience.

Starting salary will depend on experience and location and will be supported by a non-contributory pension scheme, 5 weeks' holiday per annum in addition to 10.5 days' public and privilege holidays. Jobs are based throughout Britain, and relocation assistance is available.

For further details and an application form (to be returned by 9 April 1987) write to Civil Service Commission, Alencon Link, Basingstoke, Hants RG21 1JB, or telephone Basingstoke (0256) 468551 (answering service operates outside office hours). Please quote ref: G(2)686.

The Civil Service is an equal opportunity employer

Group Finance Director (Designate)

Cumbria c£35,000 + car

Our client is Carr's Milling Industries PLC which has 13 subsidiaries engaged in floor milling, baking, agriculture and engineering.

Due to retirement they wish to appoint a Finance Director (Designate) who will assume total responsibility for the finance, data-processing and company secretarial functions within the Group. Key areas of involvement will include development and enhancement of the internal business controls, development of corporate/financial planning and liaison with the City. The successful applicant will be closely involved in business development and acquisitions.

Candidates, aged 35-45, should be qualified accountants, with a strong background in accounting and systems development, a strong personal presence and commercial awareness. Full relocation facilities will be provided and an excellent pension scheme is offered.

Interested applicants should write to Alan Dickinson ACMA, quoting ref. 7082, at Michael Page Partnership, Clarendon House, 81 Mosley Street, Manchester M2 3LQ. Tel: 061-228 0396.

MP

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Financial Controller/ Financial Director Designate

Berkshire

Our client is a main source of technological innovation as a result of its successful record in contract research, development, testing and consultancy. Clients include major corporations in the U.K. and overseas.

Reporting to the Managing Director you will lead a small department and be responsible for all aspects of the company's accounting and reporting requirements and for developing computerised financial information systems. As a member of the senior management team you will provide the financial input to Board decisions, be involved in contract negotiation and help plan and implement strategies for future development.

You should be a dynamic qualified accountant in your early thirties with well developed management and communication skills.

Experience of company secretarial duties and taxation will be an advantage, a record of achievement is essential. Prospects are limited only by ability.

Remuneration up to £25,000 plus a Car and other benefits.

Please reply in confidence to John Walker (ref. 136)

KMG Thomson McLintock
Management Consultants
15 Pembroke Road, Bristol BS8 3BG

Financial Director

£30,000 plus share options

for Ramco Oil Services plc, one of the most vigorous young service companies in the North Sea. Significant growth took the company to a U.S.M. listing in six years and it is poised now for the next phase of its expansion.

This new appointment will strengthen the top management team and will encompass all aspects of financial direction and management. Emphasis initially is on ensuring improved financial controls and there will be an important policy contribution at board level.

The requirement is for a qualified accountant with a record of successful financial management, at or near board level, in a public company. A background in contracting based industry would be most appropriate and experience of acquisitions and funding a valuable asset.

Remuneration: Around £30,000 plus benefits, including share options.

Age: 35-45 Location: Aberdeen

Please reply in complete confidence to Peter Craigie as adviser to the company.

Arthur Young Corporate Resourcing,
17 Abercromby Place, Edinburgh EH3 6LT

Arthur Young Corporate Resourcing
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

MANAGER GROUP ACCOUNTING

London £25,000 plus car

Our client is a substantial fully-quoted company, manufacturing, retailing and wholesaling ranges of consumer items which are brand leaders in their fields.

The vacancy arises following the promotion of the present incumbent. The Manager, Group Accounting, who will report to the Group Financial Controller, will join at a time when new and increasingly sophisticated systems are being installed. A wide variety of duties will be undertaken, including the preparation of consolidated annual accounts and monthly management accounts, managing the Group's treasury function and assisting in the general direction and control of operating units.

Candidates must be graduate chartered accountants, aged late 20's and with around three years broadly based post-qualification experience. The ability to handle a wide range of financial and accounting work is essential.

This post is a stepping-stone for career advancement within the Group.

Please write, in confidence, to Michael Ping enclosing a curriculum vitae and quoting reference F427P, at Ernst & Whinney Management Consultants, Becket House, 1 Lambeth Palace Road, London SE1 7EU.

E&W Ernst & Whinney

CHIEF ACCOUNTANT

Slough

Age: 27 – 35 £25,000 + car

A Chief Accountant is required by the subsidiary of a US company engaged in importing, marketing and selling a range of computer software and equipment. The turnover is approaching US $10 million.

Reporting to the UK Regional Manager, the Chief Accountant will be responsible for the efficient running of the accounts department, the design and installation of systems, cash flow, credit control, budgetary control systems, the production of monthly management information and annual accounts.

Applicants, preferably in the age range 27 – 35, must be qualified accountants, with several years commercial experience and have sound computer knowledge.

Salary is negotiable up to £25,000 and there are attractive fringe benefits including a car.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting ref: 2766 to W. L. Tait, Executive Selection Division.

Touche Ross
The Business Partners
Thavies Inn House, 3/4 Holborn Circus, London EC1N 2HB. Telephone: 01-353 7361

C B L A

CENTRAL BLOOD LABORATORIES AUTHORITY DIRECTOR FINANCE AND ADMINISTRATION (ELSTREE, HERTS)

c. £30,000

Applications are invited for a new post with this Special Health Authority. The Central Blood Laboratories Authority (CBLA) was established in 1982 to oversee the manufacture of blood products and associated reagents and to carry out related marketing and research. The CBLA primarily supplies the National Health Service, but expansion into wider fields is envisaged.

Some 400 staff are employed and revenue is planned to reach £50 million p.a. in the near term.

The organisation has reached a milestone in its commercial development with the impending commissioning of an advanced production unit. The Authority now seeks a forceful Director of Finance and Administration who will be responsible to the Chief Executive for financial and administrative affairs including strategic planning.

Candidates must be qualified accountants with relevant commercial experience and be capable of effecting change and improving performance. The preferred age range is 30-40.

The appointment will be made on a fixed term renewable contract subject to negotiation.

Please send full personal and career details in confidence to the Chief Executive, Central Blood Laboratories Authority, The Crest, Dagger Lane, Elstree, Herts WD6 3AU.

Accountancy Appointments

SENIOR FINANCIAL MANAGERS
c£33,000pa + car + valuable benefits

Following the "Big Bang" and the establishment of the electronic market place, The International Stock Exchange (ISE) is now poised to build on the advantages of this and the merger of The London Stock Exchange and The International Securities Regulatory Organisation (ISRO).

A substantial strategic investment programme has been planned and the ISE now needs two key financial managers, reporting to the Chief Accountant, to manage and monitor this programme, in addition to building a financial management service for the future.

HEAD OF MANAGEMENT ACCOUNTING

Heading up a team of 20 professionals, the manager will be responsible for the provision of a management decision support service incorporating prompt management accounts, variance analysis, budgeting, policy, pricing and control.

The individual must be a technically sound accountant and able to put systems to practical effective use. He or she must be an excellent communicator, able to control creatively, resilient and with a sense of humour.

HEAD OF FINANCIAL ACCOUNTING

Heading up a team of 30 accountants and support staff, the manager will be responsible for the provision of a financial accounting function incorporating the management of statutory accounts, credit control, capital, contract and payroll accounting.

The individual must be able to manage, motivate and develop this key function for current and future requirements. He or she will be a good technical accountant, preferably with systems management experience.

Both positions represent considerable career opportunities for experienced qualified accountants which have arisen due to expansion and promotion. Salaries are negotiable and the benefits include a fully expensed quality car and a non contributory pension scheme.

Please write with full curriculum vitae to: R. N. Orr, Roland Orr and Partners, 12 New Burlington Street, London W1X 1FF stating if the application is in confidence. Alternatively, telephone 01-439 6891 for a form or further information.

THE STOCK EXCHANGE
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c£30,000 + Car + Banking Benefits

This is a Group level appointment in a major banking and financial services group where general management has taken a very positive attitude towards the implementation of financial planning and achieving financial objectives.

The Manager will be a leading member of a small, interactive Group team which meets the exacting requirements of the Board and Group executive management for regular monitoring, analysis and reporting of operating sector results, business plans and budgets, financial aspects of Group strategic plans, and asset and liability management.

Applicants should be professionally qualified graduates or MBA's with several years top level financial analytical experience gained in a major corporation. The ability to learn quickly, the confidence to operate amongst senior management and high standards of presentational skills are essential.

Age guideline: early–mid 30's

Please apply in confidence quoting ref. L 293 to:

Brian H Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 01-240 7805

Mason & Nurse
Selection & Search

Financial Controller
Merchant Banking
c£35,000+ Bonus + Profit Share + Car

Our client is a leading UK Merchant Bank and a member of the Accepting Houses Committee.

The Financial Controller will take responsibility for the management of 30 finance staff in the production of management and financial accounts, budgets, regulatory returns, taxation computations and all the other reporting and advisory requirements of a busy finance function.

More importantly, the Financial Controller will play a key role in the planning and implementing of change to systems and procedures so that the bank's financial management is of the highest professional standard.

Candidates will be graduate qualified accountants, aged 32-40, with strong professional and management skills and relevant experience in financial services, ideally within the banking sector.

Please write, quoting reference 390 enclosing a comprehensive cv and day-time telephone number, to Philip Rice, M.A. A.C.M.A., Executive Division at 39-41 Parker Street, London WC2B 5LH.

MP
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International Recruitment Consultants
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Appointments Wanted

COMPANY SECRETARY ACCOUNTANT

Age 37, experienced in management & financial accounts/computing/secretarial, seeks dynamic and challenging position

Please write to Box A0458 Financial Times, 10 Cannon Street London EC4P 4BY

Accounting for Financial Services in a Major Banking Group
East Sussex Coast — c£17k Pkg + reloc.

Our client is a subsidiary of a highly respected and well established blue chip banking group. Its principal activities include finance of international trade, factoring, leasing and discounting.

Continued expansion has created an exceptional opportunity within the finance function for a young accountant to join as Assistant to the Finance Director. Supervising a small team, the role will encompass statutory accounts, budgets, treasury and tax, with a major emphasis on the development of computerised management information and accounting systems. The position offers excellent experience together with good career prospects.

Applicants should be Chartered Accountants, aged under 30, ideally recently qualified with experience of computerised accounting systems. In addition to an attractive salary and generous relocation expenses the company offers banking benefits including profit share and subsidised mortgage after a qualifying period.

Interested applicants should telephone Chris Sale on 01-831 2000 (evenings and weekends 01-622 5321) or write to Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.

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Personal Assistant to Partner
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The Senior Partner in our expanding Guernsey Office requires a Personal Assistant with an outgoing personality and the ability to make a significant contribution to the future development of the practice.

The person appointed is likely to have had experience of personal tax consultancy with exposure to the international aspects and be interested in applying this knowledge in both advisory and practical situations.

The position offers a competitive salary and possible partnership prospects.

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Our client, an accomplished sole practitioner provides a comprehensive and sophisticated financial advisory service to an already significant and rapidly expanding clientele of proprietory businesses.

The likely future growth of the practice is such that a capable young chartered accountant will shortly be offered the chance of a lifetime – an opportunity to become a full equity partner during 1987!

Applications are, therefore, invited from young ACA's who are ATII qualified and can offer considerable experience of dealing personally with proprietory clients. The ideal candidate will be aged 26/28 – a firm indication of the academic pedigree we seek.

A generous benefits package, including relocation assistance will be provided and the successful applicant should be in a financial position to accept this partnership offer within the envisaged timescale.

To apply please write, enclosing a full c.v. to ALAN MORRIS at the address below.

Your application will be treated in the strictest confidence and no communication will be made with our clients without your prior consent.

Accountancy Personnel,
2/4 Listergate,
Nottingham NG1 7DD.
Telephone: 0602 582939

Investing in London

The Greater London Enterprise Board Ltd is an investment agency which aims to invest in long term commercial, technological and social development of local companies. We are unique because we try to balance the commercial and social benefits of our investments.

We wish to appoint a number of high calibre professional staff to assist in the financial control, development and management of GLEB's portfolio into the 1990's. We are looking for experienced and energetic people who are seeking a challenge *not* a soft option.

Finance Division

Following the appointment of our new Finance Director the Finance Division has been restructured to improve financial control and to provide a firm base from which GLEB can expand with confidence into Fund Management.

Applications are invited for the following posts:

Financial Analysts
Up to £20,000 p.a.

You will be responsible for the provision of financial monitoring information on investments to the Finance Manager and Project Executives. You will be expected to have direct involvement in investments and be able to assist in the financial aspects of project development and control. You should have a minimum of three years' accountancy experience with at least one year in a manufacturing environment. Ref: F015.

Financial Accountant
Up to £20,000 p.a.

You will be responsible to the Chief Accountant and assist in the proper administration of the financial records of the Company involving cash management and bank reconciliations, loans, mortgages and interest schedules, outstanding debts, budgets, forecasts and variance reports. You should have a minimum of five years' commercial experience including the completion of accounts and credit control. Ref: F016.

GLEB is an equal opportunities employer and considers all job applicants strictly on their merits. In addition, we positively welcome applications from women, black people and disabled people where they are under-represented in particular jobs. GLEB's premises are disabled accessible, all its posts are open for job sharing, and it provides childcare assistance.

All these positions require a commitment to the development of equal opportunities and social responsibility within a commercial framework.

Job descriptions and application forms may be obtained from Vanessa Moody on 01-403 0300 at the Greater London Enterprise Board Ltd, 63-67 Newington Causeway, London SE1 6BD, completed forms to be returned by Friday, 3 April 1987.

Greater London Enterprise Board

UNITED MEDICAL & DENTAL SCHOOLS OF GUY'S & ST THOMAS'S HOSPITALS (University of London)

FINANCE OFFICER

The United Medical and Dental Schools is a major School of the University of London; it currently employs some 1,500 staff on three sites and the annual expenditure is approximately £30 million.

We are looking for an experienced manager with relevant professional qualifications to take charge of the full range of financial services within the School.

The successful applicant will have extensive accountancy experience, knowledge of computerised accounting systems and, above all, strong management skills.

The post is based on the Guy's Campus at London Bridge. Minimum salary £22,050 per annum plus £1,393 per annum London Weighting Allowance.

Further details from the Staffing Officer, United Medical & Dental Schools, St Thomas's Campus, Lambeth Palace Road, London SE1 7EH, tel: 01-928 9292, extension 3209, to whom applications in the form of a curriculum vitae and the names and addresses of three referees should be sent by 10 April 1987.

CHIEF ACCOUNTANT
c£18,000 + CAR

The continued growth of Pritchard Services Limited – part of the highly successful Hawley Group – has created this vacancy for a Chief Accountant.

Ensuring both personally and through subordinates that the Accounting function runs smoothly and that proper controls throughout the Company are implemented and maintained, you will have a wide variety of responsibilities. Making sure management accounts are produced accurately and promptly will be essential, as will be assisting the Financial Director in preparing the annual budgets and financial accounts.

To carry out these functions successfully, you will need a professional qualification and the determination to make your mark in an often hectic environment.

As well as excellent rewards and benefits, we'll offer you the chance to broaden your experience and to advance your career.

If you think you're perfect for Pritchard, write enclosing a full CV to David Westcott, Personnel Manager, Pritchard Services Group, PO Box 278, Millharbour, London E14 9TD.

Pritchard Services Ltd.
A Member of the Hawley Group

Accountancy Appointments

Major Advertising Agency
Financial Director
London Early 30's to £40,000

Our Client is one of Britain's largest and best known Advertising Agencies. They are part of a major world-wide grouping. One of the most established names in advertising, they have an enviable profit record and a senior management team mainly aged in their thirties.

They currently seek an outstanding Financial Manager with a background in control and systems to head up their finance team. The successful candidate, male or female, can expect to be part of the inner management team of the Company.

Candidates will need to be experienced Accountants aged 30-38 with a background which will probably include work with a major professional practice, some systems consultancy and definitive evidence of success at senior level in a company known for financial objectivity. Experience of advertising would be an advantage but is by no means pre-requisite. Personality and communication skills are, however, key in this field at this level.

In addition to a generous salary there is a management bonus, Company car and other benefits.

Please write in confidence, to Colin Barry, Senior Partner, Overton Shirley & Barry, Prince Rupert House, 64 Queen Street, London EC4R 1AD.
Telephone (01) 248 0355.

Overton Shirley & Barry
INTERNATIONAL SEARCH AND SELECTION CONSULTANTS

Financial Controller

North Manchester **C. £25,000 + Bonus + Car**

As a result of continuing growth, a leading and highly successful furniture manufacturer with current turnover of c. £40 million requires a chartered accountant aged around 35 to take up the new position of financial controller.

Reporting to the finance director and working with an established team, you will take over responsibility for day to day management of all aspects of the finance function, including the preparation of management and statutory accounts. In addition, as a key senior executive, you will be involved in forward financial and strategic planning.

To meet this challenge, we are looking for candidates with a sucessful record of relevant industrial experience, who must also be able to demonstrate that they have the exceptional levels of flair, determination and enthusiasm which we require to support planned future expansion.

In addition to the remuneration package above and an attractive pension and life assurance scheme, the position offers outstanding future prospects.

Please write with full career and personal details to:

A. W. Leitch, Finance Director, Cyril Bernstein Limited
P.O. Box 33, Manchester Old Road, Middleton, Manchester M24 1AR

AIR PRODUCTS

ACAs

European Travel Outstanding Prospects
Walton-on-Thames £ Excellent Package

Our client is a major US multi-national company, principally engaged in the production and marketing of gases and chemicals worldwide for use in a diverse range of industrial applications including those at the frontiers of technology. The business is a capital intensive, high technology industry supported by a high calibre, well-qualified workforce.

Based at the European Head Office, the operational audit function is a small, multi-disciplinary team comprised of both qualified accountants and non-financial personnel. Project orientated assignments are concerned with in-depth appraisal of business efficiency, profitability, acquisitions and financial control. Travel content is c 30% covering the entire European operation. Career prospects are outstanding: the position is viewed as an excellent training ground for future senior management and the company will not recruit an individual without the potential to achieve early promotion.

Suitable candidates will be Chartered Accountants, ideally having recently qualified with a major firm. A working knowledge of French, German or Dutch would be useful, while good interpersonal skills are essential. In addition to an excellent salary and benefits package relocation assistance is available where appropriate.

Interested applicants should telephone Chris Sale on 01-831 2000 (evenings and weekends 01-622 5321) or write to Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Finance Director
(Designate)
Tyneside to £22,000 + Car + Bonus

Our client is a highly profitable, autonomous, consumer goods manufacturing subsidiary of a rapidly expanding, medium sized UK Plc.

They seek to recruit a Financial Controller who, reporting to the Managing Director on-site and functionally to the Group Finance Director, will be completely responsible for the finance and data processing functions. The initial brief will include the further development of the company's management information, financial accounting and costing systems using sophisticated computer techniques.

Candidates will be qualified accountants (CA, CACA, CIMA), aged 30–45, who, in addition to a high degree of technical competence, will possess well developed inter-personal skills in order to make a positive contribution to the continued success of the company. A medium term Board appointment is envisaged.

Comprehensive relocation facilities are available where appropriate. Interested applicants should write to Angela McDermottroe or Stephen Broadhurst, quoting reference L8311, at Michael Page Partnership, Leigh House, 28–32 St. Paul's Street, Leeds LS1 2PX, (Tel: 0532 450212).

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Finance Director
Financial Services c£35k + benefits

Progressive growth by acquisition has been pursued successfully by our client to create a world-wide Group specialising in money broking, securities, financial futures and related services. Further rapid organic growth is envisaged from the four main divisions currently in operation.

Reporting to the Group Finance Director as the Finance Director of a major subsidiary, this opportunity, based in London, has been created for an individual to manage key changes which will consolidate the present operation and plan future growth as the Group's international product range increases in sophistication.

We would therefore like to hear from bright and resourceful qualified accountants who feel confident of their fast-track ability to survive in this very demanding environment, *and who can contribute substantially to the development of this entrepreneurial business.*

Please write in confidence to Peter Willingham quoting reference LM 714 explaining why we should meet to discuss this appointment. Please enclose your detailed CV, current salary package and day time telephone number, to Spicer and Pegler Associates, International Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.

Spicer and Pegler Associates
Management Services

Financial controller
E. Home Counties, c £28,000

C&L

It is not often that we can say that a company combines genuine entrepreneurial flair with highly professional management, but our client does just that. With strong R&D access to leading edge technologies in the USA and Japan, and with turnover now of £20m+, it has established an excellent range of products and a sound market reputation in a comparatively short period.

Reporting to the F.D. in a new post you will be responsible initially for all financial and management accounting with the prospect of wider responsibility before long. You will take over a well trained and motivated team of about 20 staff regularly meeting tight reporting deadlines. This is not a back room job. Your close involvement out and about with other group functions, be they manufacturing, marketing or services, is as inevitable as it is essential.

Qualified, a good team player and a genuine need to identify totally with the aims of the group, are the essential requirements. Prospects are excellent.

Please forward a résumé, including a daytime telephone number, to John Sanderson Watts, Ref. SW661.

Coopers & Lybrand Executive Selection

Coopers & Lybrand
Executive Selection Limited
Shelley House 3 Noble Street
London EC2V 7DQ
01-606 1975

PRINCIPAL AUDITOR

Development opportunity for an ambitious Qualified Accountant in Manchester

Salary £21,536-£24,701 & benefits

Norweb Electricity is a highly successful, progressive business in the North West of England, with a combined turnover from electricity sales, appliances and installation work of almost £1 billion p.a. We now require a highly competent, communicative Principal Auditor to lead jointly our Internal Audit Section.

He/she will be responsible for general audit teams, computer audit, special investigations and security, together with developing new techniques for audit use. The post holder will discuss audit findings with Chief Officers and Area Managers of Norweb and report the outcome of all discussions to Norweb's Deputy Financial Director. This is a genuine opportunity for long term career development. Previous experience of working in a large organization would be an advantage.

The highly competitive remuneration package includes an attractive salary, contributory pension scheme, 25 days + statutory days annual holiday. Relocation assistance may be available. A car hire scheme is in operation.

Telephone Mr. M Wood on 061-834 8161 (ext 78) for an application form quoting ref 87/32. Completed forms should be returned to The Secretary, Norweb, Cheetwood Road, Manchester M8 8BA by 3rd April, 1987.

Equal consideration will be given to all applicants irrespective of sex, race, creed or disability.

norweb

Internal Auditors
North Africa: Excellent tax protected salaries

Jawaby Oil Service has been established by the Libyan Oil and Petrochemical Industry to provide a wide range of services, including total recruitment, for individual operating companies and service organisations.

Our client, Zueitina Oil Company, a leader among the major oil companies in Libya is now looking for Internal Auditors to perform a variety of functions relating to Company's internal audit function, both financial and operational.

Applicants should have a degree in Accounting/Business Studies and ideally hold a professional accountancy qualification. At least 5 years' experience of diversified accounting and auditing experience is essential.

Excellent benefits include:

* Tax protected salaries
* Generous leave including free air fares
* Free medical care
* Free board and accommodation

Please apply to the Recruitment Co-ordinator, quoting ref. ZTN/7, Umm Al-Jawaby Oil Service Co. Ltd., 33 Cavendish Square, London W1M 9HF.

JAWABY OIL SERVICE

Corporate Accountant
financial services group
West End c£24,000

The European headquarters of a well known multi-national group with interests in banking, leasing and shipping finance offers an unusual role to a Chartered Accountant aged 24–28.

Working as part of a small central finance team you will report to the UK Controller and have specific responsibilities for the shipping finance division as well as being involved in systems development and group reporting.

It is essential that you possess a flexible approach, can work to tight deadlines and have the potential to take on a wider role in the near future. Previous experience should include practical use of PCs and spreadsheet packages.

There will be regular contact within an informal environment with non financial management and the opportunity to be totally involved in the varied operations of this international company. Career prospects are therefore realistic and the fringe benefits will be commensurate with other major groups.

Please write enclosing a career/salary history and daytime telephone number to John P. Sleigh FCCA quoting reference J/573/GF.

Lloyd Management
125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

RECENTLY QUALIFIED ACCOUNTANT

City *Negotiable Package Including Substantial Banking Benefits*

A leading merchant bank urgently requires a recently qualified accountant to join their specialist management accounting team.

Reporting to the management accountant, the successful candidate will take over responsibility for collating costing information from which the bank's mangement accounts, budgets, financial accounts and tax computations are produced. Other aspects of the position include the day to day monitoring of departmental reporting requirements; continual assessment and development of computerised accounting systems, cost analysis and control, provision of various ad hoc management information.

Successful applicants are envisaged to be 25-28 year old, graduate Chartered or Cost and Management Accountants with practical experience in micro based spreadsheets and proven ability to communicate at management level. Being one of London's major merchant banks and a member of the accepting houses committee, our client can offer an established career and training programme which will set your feet firmly on the road to a senior management position if you have the necessary drive and commitment. To apply, please write with a copy of your curriculum vitae to Antony Dunlop.

ANTONY DUNLOP
ACCOUNTANCY RECRUITMENT CONSULTANTS
18 JERMYN STREET LONDON SW1Y 6HP
TEL: 01-439 6171 PICCADILLY

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Accountancy Appointments

We don't expect a flood of applications for these jobs.

There aren't that many people good enough for them.

Spicer and Pegler is a leading and rapidly expanding accountancy firm with a client base very strongly orientated to growth industries.

To manage this rapid expansion we are taking the unusual step of recruiting senior staff in various departments.

These openings provide competitive salaries and excellent opportunities for exceptional people to develop their careers within a successful and dynamic professional firm.

COMPUTER AUDIT MANAGER
ACA or equivalent 27+

Computer Audit is one of our most dynamic departments. To keep pace with our City clients' heavy investment in computer technology the department has nearly doubled in size over the last eighteen months.

In order to achieve our plans for the future, we need to recruit an additional computer audit manager with a minimum of two years' varied experience gained within a specialist computer audit department. Hands-on experience of software development, and exposure to a wide range of hardware from mainframes to micros, are essential, as is the ability to manage staff effectively.

In return we can offer a diverse and interesting client portfolio and opportunities for career progression both within computer audit and within the firm.

INVESTIGATIONS DEPARTMENT SENIOR MANAGER
ACA 27+

Our Investigations Department requires a versatile specialist to manage a wide variety of investigations including work on:

Prospectuses, takeovers, acquisitions, mergers, management buy-outs, fraud and share valuations.

Candidates must have a good academic and professional background, with two to three years specialist investigations experience, as well as a flexible, common sense approach to dealing with people and pressure at high level.

In return, we offer rapid career advancement in a hard working but friendly environment.

SECURITIES INDUSTRY
TAX MANAGER ACA/ATII 28+ — **TAX SENIORS ACA 25+**

With our prestigious range of clients in Banking and the International Capital and Securities Markets, we now seek to recruit tax specialists to work in the Financial and Securities Industry sector.

These are exceptional opportunities to join a high-powered team of specialists who combine a detailed financial sector knowledge with UK and international tax expertise.

We require a Tax Manager ideally with 1-2 years' experience of the Financial and Securities Industry sector, specifically banking, broking, and market making. Candidates for this senior position should have at least 3-4 years' post qualification experience in UK Corporate Tax.

Candidates for the position of Tax Senior should have at least 1-2 years' post qualification experience of UK Corporate Tax and an ability to understand the commercial aspects of the financial markets.

A combination of initiative, first class communications skills and willingness to develop new skills fast will secure a rapid career advancement and high rewards in what is a professional yet friendly working environment.

To apply for any of the positions detailed above, please write enclosing full CV to Jean Brittain at Spicer and Pegler, Friary Court, 65 Crutched Friars, London EC3N 2NP.

Spicer and Pegler
Chartered Accountants

Shell

BUSINESS CONSULTANTS

If you have exceptional all round talent consider a fast moving career with Shell

Shell are looking for exceptionally talented young men and women to join their internal consultancy team in London. This multi-disciplinary team provides consultancy help to Shell Service Companies and Operating Companies throughout the world. Success in this demanding environment provides a springboard from which to launch a career into Marketing Oil, Natural Gas or Chemicals – International Oil Trading, or other areas of the company's business.

Applications are invited from graduates in their late 20s/early 30s who have:

- A good honours degree in a numerate discipline, and perhaps a post-graduate qualification.
- At least 3 years' practice in the commercial/industrial area of O.R. or consultancy – or relevant line management experience.
- Entrepreneurial ability and evidence of commercial skills.

If you can make an immediate contribution within this Consultancy Unit and have the ability to take the fast track through to senior commercial management positions, then write to Trevor Atkinson, FCA, enclosing a detailed CV and quoting reference 7446.

MANAGEMENT CONSULTANCY RECRUITMENT DIVISION
DOUGLAS LLAMBIAS
LONDON · LIVERPOOL · MANCHESTER · ABERDEEN · EDINBURGH · GLASGOW · DUBLIN
DOUGLAS LLAMBIAS ASSOCIATES LIMITED, 410 STRAND, LONDON WC2R ONS
TELEPHONE: 01-836 9501

Financial Controller

£20,000 plus Car

Our client is a small, fast-growing group of companies which operates in the property development and building industry. It is based in the northern Home Counties and its activities include construction, development, component manufacture and installation. A recent acquisition and plans for further expansion have led to the need for a financial controller.

Working closely with the board, the role will involve the development of systems and procedures to improve financial control and management information. Planning, budgeting and project work will also be key elements of this position, which in due course could expand to include other general management tasks.

Candidates should be qualified accountants with several years' experience in an industrial or commercial organisation. They should have the enthusiasm and communication skills to make an effective contribution to the management of the group and to command respect within the organisation. A knowledge of the construction industry or contract accounting would be an advantage.

Please write in confidence to Jane Woodward (ref 8124).

KMG Thomson McLintock
Management Consultants
70 Finsbury Pavement London EC2A 1SX.

Divisional Financial Controller

London — **c£27,000 + Car**

We are acting for a major Division of a large public group with worldwide interests in advertising and media communications.

Substantial acquisition-led growth in recent years, coupled with their plans for further significant expansion and market penetration has resulted in our client seeking a highly motivated and ambitious finance manager to join a small divisional head office team.

This role, reporting to and deputising for the Divisional Finance Director, encompasses involvement with all subsidiary companies within the division covering financial reporting, planning and forecasting together with analysis and special project work associated with both current and future business development.

The successful candidate will probably be a qualified chartered accountant aged 28-35, with a successful and progressive career to date in a service-related industry. Personal qualities should include considerable initiative and energy coupled with the ability to communicate effectively at all levels. Career prospects within the Group are very good.

Interested applicants should write to **Barry Ollier ACA, Executive Division**, enclosing a comprehensive CV and daytime telephone number at **39-41 Parker Street, London WC2B 5LH, quoting ref 391.**

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

EXPANDING PUBLIC COMPANY REQUIRES

ACQUISITION ACCOUNTANT

BASED HERTFORDSHIRE — C. £25K + CAR + BENEFITS

Responsibilities: *Working in conjunction with* main Board Directors in identifying and acquiring potential acquisitions.

The successful candidate will have investigation and acquisition experience at a senior level and will have the ability to work on their own initiative.

Future career prospects within this profitable and expanding Group are excellent.

Please send full career and personal details to Box A0451, Financial Times, 10 Cannon Street, London, EC4P 4BY.

EXECUTIVE JOBS

IF YOU EARN OVER £25,000 PA AND ARE SEEKING A NEW OR BETTER JOB

In the accountancy or financial field our team of consultants, all of whom have had managing director level experience, can help you.
Our successful Executive Action Plan helps you find appointments quickly and discreetly, particularly in the unadvertised vacancy area.
Contact us for an exploratory meeting without obligation. If you are currently abroad ask for our Executive Expat Service.
32 Savile Row, London W1 Tel: 01-734 3879 (24 hours)

Connaught

Finance Manager

mid/late 20's
W. London — to £22,000 + car

This is an unusual opportunity for a recently qualified accountant to acquire managerial experience, heading up the accounting function within an independently run sector of a leading international airline. He/she will be responsible for providing a full accounting service to management with a staff of 14 operating modern computerised systems. The job will provide interesting opportunities for experience in cash flow projections, short-term cash management and systems development. Success in this role will lead to opportunities elsewhere in the group in 2-3 years time. Applicants should be Chartered or Certified accountants with the technical skills and personal self-confidence to provide effective leadership of an experienced team. An attractive range of benefits includes a fully expensed car, substantial travel concessions, and a generous relocation package if appropriate.
Ref. 1639/FT. Send c.v. (with telephone numbers) or write or phone for an application form to R.A. Phillips, ACIS, FCII, 2-5 Old Bond Street, London W1X 3TB. Tel: 01-493 0156 (24 hours).

Phillips & Carpenter
Selection Consultants

Investment Accountant

US Financial Services Group

City — ***Package c£23,000 + Car***

Our client is the rapidly expanding investment division of a major US Financial Services Group. The UK branch currently manages funds in excess of \$2BN invested in securities markets worldwide. This newly created position will report to the Financial Controller and will entail control of assets under management, production of management information, development of the use of computer systems and client reporting. Applications are invited from recently qualified accountants currently in practice or with relevant investment experience. The package embodies salary, bonus and mortgage support. Other benefits include car, non contributory pension scheme, health care and luncheon allowance.

Applications to: R. J. Welsh.

Reginald Welsh & Partners Ltd
ACCOUNTANCY & EXECUTIVE RECRUITMENT CONSULTANTS
123/4 Newgate Street, London, EC1A 7AA. Tel: 01 600 8387

Accountancy Appointments

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Accountancy Appointments

Chief Accountant

London SE5

c£18,000 pa + Car

The Fund is Britain's largest international children's organisation working in 50 countries including the UK and with an income of £35 million in 1986/7.

Reporting to the Deputy Director General/Financial Controller, the Chief Accountant will be responsible for the overall operation and internal control of the Fund's financial affairs and dealings. (S)He will also be responsible for the management of a department of 30 staff; the provision of financial and management information and the preparation of published accounts.

Applicants must be qualified Accountants with extensive accountancy experience including expertise in computerised accounting systems. Strong management skills will also be essential.

SCF's system of pay is currently undergoing a major review. As travel throughout the UK will be necessary a Fund car will be provided.

For further details and application form please contact Leonie Lonton, Personnel Officer, SCF, 17 Grove Lane, Camberwell, London SE5 8RD. Tel: 01 703 5400.

Closing date for applications is 27th March 1987.

Save the Children

aims to be an equal opportunities employer

Accountancy Personnel

Placing Accountants First

ABC INTERNATIONAL

MANAGEMENT ACCOUNTANT

Dunstable — **up to £20,000**

ABC is the foremost publisher of information for the travel industry. It's printed publications dominate worldwide markets and it is fast developing a series of electronic database information products.

Reporting to the Finance Director, you will manage a small team and have been qualified for several years. You should be able to demonstrate initiative and good communication skills, plus the personality and professionalism necessary to be readily accepted by commercial management.

This is a challenging role encompassing management accounting and the development of management information systems relevant to ABC's growing business.

As part of Reed International PLC, future career opportunities are excellent.

For further details, please contact: Accountancy Personnel, Ashton House, 469 Silbury Boulevard, Milton Keynes MK9 2AH. Telephone: 0908 661707

Northern Foods

MANAGEMENT AUDIT

£13,500 + car

Northern Food is the country's foremost quality food manufacturer. Sales last year were £1.5 billion, and more than 24,000 people are employed at over 100 locations throughout the U.K.

Management Audit is an important entry point for talented young accountants, with appointment to a substantial line accounting role within 2 years.

Openings are available for young graduate level qualified accountants with above average ability.

For further details, please contact: Accountancy Personnel, 2/4 Listergate, Nottingham NG1 7DD. Telephone: 0602 582939

CONFIDENTIAL

RECENTLY QUALIFIED

West Yorkshire — **To £15,000**

This major concern, currently entering an exciting new phase of development, is actively seeking to recruit a high calibre recently qualified to strengthen its existing accounts team. In addition to the preparation of financial and management information utilizing a sophisticated computerised system, you will also be involved on numerous projects currently underway including an extensive acquisition programme.

There are excellent career prospects together with all the benefits associated with a major group.

For further details, please contact: Accountancy Personnel, Manor Buildings, 2 Manor Row, Bradford BD1 4NL. Telephone: 0274 731686

"INNOVATION... TECHNOLOGY... GROWTH..."

Our client is a recognised market leader in retail credit finance and as a subsidiary of a major banking group forms part of one of the largest financial organisations in the world.

In 1986 pretax profits increased by 52%, the number of retail outlets using its credit facilities rose to over 25,000 and record advances were made to customers. Expansion into major retail markets in the U.K. and Europe continues.

High standards of financial control and management information are needed in order to sustain these levels of success. Accordingly two qualified accountants are required for the Company's Head Office, based in North London.

Attractive remuneration packages are offered, including a subsidised mortgage, bonus, non-contributory pension and a quality company car.

GROUP CHIEF ACCOUNTANT

£25-27,000 + Car + Bank Benefits

Reporting to the Finance Director, key responsibilities will be for financial control, managing the staff and activities of a large accounts department, as well as systems review and implementation.

Suitable candidates aged 28-40, will be qualified accountants with a record of career success and experience of managing a large accounts department. Ideally you will have experience of implementing computerised systems and have worked within financial services. In addition to excellent staff management and communication skills, you should be able to manage change and make a significant contribution to further expansion.

FINANCIAL PLANNING EXECUTIVES

£19-22,000 + Car + Bank Benefits

Working within a small professional team you will be jointly responsible for the provision of management information relating to profitability and costs.

This will involve long and short term plans, capital expenditure forecasts and appraisals, profitability reports and internal costings.

In addition you will be required to review procedure in mainline departments, develop departmental forecasts and work on major financial projects affecting the future growth and profitability of the group.

Suitable candidates will be qualified accountants aged 25-33 ideally experienced in financial and business analysis with some experience in the financial services sector. Hands on PC experience and an ability to manage a small team is necessary.

Please apply directly to Suzzane Wood at Robert Half Personnel, Mountbatten House, Victoria Street, Windsor, Berks SL4 1HE. Telephone 0753 857181, evenings 01-876 5405.

ROBERT HALF

GLYNWED management success ~breeds success

To direct and produce the next chapter of our success story we require additional successful managers to join our winning team

Few British Companies can match the outstanding financial performance of Glynwed International plc where profit growth has exceeded 20% for each of the last 5 years.

Even fewer British engineering and manufacturing businesses can match Glynwed's consistent ability to produce consumer products that continue to dominate their markets at the same time as maintaining realistic profit margins.

A successful Division within Glynwed is Consumer and Building Products, whose own high performance mirrors that of the Group. The Division is now poised to expand its business activities which includes famous household names such as – Flavel, Leisure, Aga, Rayburn, Glynwed Foundries and Falcon Catering Equipment.

As part of our expansion programme we are now seeking to add successful business managers to our established senior management team. Senior Managers who can immediately contribute to our forward thinking policies and business targets as well as play an important role in the future direction and production of the next chapter of our success story.

Our Kitchen/Consumer orientated businesses are located in various areas of the UK so that those appointed could operate from a choice of locations in the Midlands.

MANAGING DIRECTOR

Consumer Products

This is a Divisional board appointment with responsibility for the Chairmanship of the management boards of Flavel-Leisure, Aga-Rayburn & Leisure, which collectively have a turnover in excess of £60m p.a., and 1,600 employees at three locations.

The setting and achievement of an agreed business plan for each of the businesses is a key element of the job as is the increased penetration of established and new markets by organic growth and/or acquisition. Also the development of new products and the introduction of improved manufacturing technology.

Candidates must have successful general management experience of a £30m + operation, extensive experience in the finished goods sector and a good product, process and market development record. Ref. 1

DEVELOPMENT DIRECTOR

Consumer Products

To be responsible for our major RD centre in Solihull, West Midlands and, in conjunction with the Managing Directors and Senior Management of the operating businesses, all on-site product and process development facilities.

The overriding priorities are ensuring a constant flow of new products of the highest design standard to meet the demands of the consumer market. Also that the most cost effective and efficient production processes are employed and maintained in all areas of manufacture.

The successful candidate will be supported by an experienced team of CAD/CAM, computer, quality and development managers, a staff of 80 and control a budget in excess of £2 m p.a.

Applicants, ideally in the 40+ age range must have been responsible for an RD budget exceeding £1m p.a., a proven record in product and process development and relevant experience in the domestic appliance industry. Ref. 2

MARKETING DIRECTOR

Consumer Products

This is a new key post carrying responsibility for developing and implementing a comprehensive marketing strategy for the three consumer durable orientated businesses within the Division. Flavel-Leisure, Aga-Rayburn and Leisure.

Operating in conjunction with the Consumer Products Development Department and the individual businesses' sales, marketing and manufacturing functions, the person appointed will be expected to make a significant impact on, and contribution to, overall growth and profitability.

Candidates should have extensive product development experience gained in the consumer durables market and have made a substantial personal contribution at strategic level. Ref. 3

There are also opportunities in two of our other businesses.

MANAGING DIRECTOR

Glynwed Foundries

To lead a multi-site operation based at Ketley, Shropshire producing cast iron drainage materials and municipal castings. Prime duties will involve increasing market share, enhancing product image and completing important investment programmes. Applicants should have general management experience gained within a £20m+ business in or related to the cast iron foundry sector plus substantial product, process and marketing knowledge. Ref. 4

MANAGING DIRECTOR

Falcon Catering Equipment – Scotland

To expand the business, based near Falkirk, by organic growth/acquisition etc., whilst maintaining current profitability. Also to ensure product design/development meets market demands. Applicants with general management experience gained in a £6m+ company must possess extensive knowledge of finished engineered/metal goods and a relevant record in business development. Ref. 5

Remuneration and benefits package is designed to attract, motivate and retain those with ability and commitment. Those joining us in senior positions will find that their rewards, which can be substantial, are geared to performance and will increase considerably as the business they manage continues to grow successfully.

To apply – We appreciate that as a busy manager your time is limited, we have therefore, prepared this "quick response facility".

We also realise that to consider a move at this important stage of your career you would require by return, comprehensive details about the Company, the products and our management team.

Apply in the strictest confidence to Hugh McCredie on 021-742 2366, or complete the 'quick response facility' and send to Glynwed Group Services Ltd., Headland House, New Coventry Road, Birmingham B26 3AZ. Posts open to men or women.

QUICK RESPONSE FACILITY FT

Please send me comprehensive appointment details and application pack.

Ref. 1 ☐ Ref. 2 ☐ Ref. 3 ☐ Ref. 4 ☐ Ref. 5 ☐

Please tick appropriate box(es)

Name ____________________

Address ____________________

Glynwed Consumer & Building Products Ltd

Accountancy Appointments

N. M. Rothschild International Asset Management Limited

Finance and Operations Director

N. M. Rothschild International Asset Management Limited is seeking a Finance and Operations Director. Duties will involve responsibility for the Company's finances and accounts, its Board meetings and papers, implementation of a major computer project, and overall supervision of the Company's day-to-day administration.

The successful candidate will need to be a qualified Chartered Accountant and should be able to grasp quickly the US, Japanese and UK investment industry regulations under which the Company operates.

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SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Thursday March 19 1987

Modo hit by fall in pulp operations

By Kevin Done, Nordic Correspondent, in Stockholm

MODO, one of the leading Swedish pulp and paper groups, saw operating profits fall 7.8 per cent last year chiefly because of a steep fall in the earnings at its pulp operations.

Group profits after financial items declined sharply by 37.7 per cent to SKr 343m ($53.5m) from SKr 551m a year earlier, due to a drop in exchange gains on foreign loans to SKr 50m from SKr 296m in 1985.

The group made extraordinary gains of SKr 240m. This was chiefly due to the disposal by Modo's affiliate, Iggesund, of its Eka Chemicals subsidiary to Nobel Industries – which helped boost Modo profits before allocations and tax to SKr 583m from SKr 291m in 1985.

The group is increasing its dividend to SKr 6 a share from SKr 4.94 in 1985.

Modo forecast higher profits for 1987 based on strong current demand for both its main products, fine paper and market pulp.

Pulp prices are due to be raised again in April. However, Modo warned that a further fall in the US dollar could have a serious impact on Scandinavian pulp producers' competitiveness.

Modo group turnover rose slightly in 1986 to SKr 7.39bn from SKr 7.004bn a year earlier.

The low level of pulp prices in the first half of 1986 and a need to reduce production during this period depressed operating earnings of Modo's pulp mills to only SKr 31m from SKr 150m in 1985.

Earnings of the group's fine paper operations jumped to SKr 322m from SKr 253m a year earlier, thanks to strong demand from west Europe.

Iggesund, the pulp and board producer which is 49 per cent owned by Modo, increased its profits (after financial items) by 85 per cent in 1986 to SKr 232m from SKr 125m a year earlier thanks to strong demand and a 15 per cent increase in the volume of paperboard production.

Degussa rises despite lower turnover

By Our Frankfurt Staff

DEGUSSA, the West German precious metals and chemicals group, suffered a 7.2 per cent fall in group turnover to DM 10.87bn ($5.9bn) in the year ending September 30 1986.

However, the group's DM 115m after-tax profit was up DM 3m against the previous year, in line with expectations.

Profits at Degussa's West German operations were also flat at DM 76.8m on turnover which was 3.4 per cent lower at DM 8.95bn. The company is paying an unchanged dividend of 20 per cent of its issued capital of DM 284m.

Lower turnover in metals accounted for the bulk of the decline in Degussa's worldwide sales. Group turnover fell by 9.4 per cent in metals and by about 4 per cent in chemicals. However, pharmaceuticals sales were 1.2 per cent higher.

Degussa's group foreign operations in Belgium and Brazil once again recorded "very gratifying results" while the US subsidiary, Degussa Corporation, returned to profit after a considerable deficit the previous year.

Meanwhile, Degussa Bank "exceeded the very good performance of the previous year."

The group's capital requirements increased by 10.5 per cent to DM 502.6m, with research spending rising to DM 223m from DM 190m.

The company says demand for its products has remained high in the 1986-87 business year

Air Canada to buy Gelco unit

By Bernard Simon in Toronto

AIR CANADA is to expand into the surface courier business by buying Gelco Express, the Canadian subsidiary of Gelco Corp of Minneapolis, for US$54m.

Gelco Express is the second-largest courier service in Canada. The deal will give the state-owned airline control of a door-to-door delivery service, using its existing air freight division. Air Canada operates eight DC-8 freighters.

Courier services have become increasingly popular in Canada as postal service efficiency has declined.

Gelco, whose other interests include vehicle leasing and travel, said the sale was part of a restructuring plan aimed at reducing its debt and staunching recent losses. The sale is expected to be finalised in May.

Stefan Wagstyl looks at the challenges facing the man soon to become head of a hard-pressed Canadian nickel group

The daunting task of healing Inco's scars

MR DONALD PHILLIPS, a quietly spoken Welshman from Ebbw Vale, is not a man to boast about joining the handful of British-born managers who have reached the top of a major North American corporation.

He is only too aware that the job he takes on later this year as chairman and chief executive officer of Inco, the hard-pressed Canadian nickel company, is one of the most daunting of corporate appointments. His predecessor, Mr Charles Baird, is retiring at the age of 65 after spending most of the past seven years battling with the effects of the harshest nickel recession in memory.

Mr Phillips, who is 57, is in many ways a very different man from Mr Baird, a former US marine officer who rose to become Under-Secretary of the US Navy for 18 months during the Vietnam war.

Mr Phillips has spent almost all his working life with Inco. He joined the group in the UK in 1956 as a technical officer and rose to become chairman of Inco Europe before moving to Toronto in 1977. He became a Canadian citizen in 1981.

However, there are important similarities between the two men – neither is a mining engineer nor a geologist by profession: Mr Baird was previously a financial manager, and Mr Phillips trained as a chemist. Both men were carefully groomed for the top job and served first in the number two post of president.

Mr Phillips says: "There's not going to be a change in any way in management style." The comment is echoed by stockmarket analysts who say that Inco is not a company where the appointment of one man from within the group will in itself lead to big changes. They point out that Mr Phillips has worked very closely with Mr Baird since becoming president in 1980.

Mr Phillips admires Mr Baird for leading the group through "one of the worst periods in its history." He says Mr Baird is leaving Inco "in fairly good financial shape, with good people and very low operating costs."

Nevertheless, Inco bears all the scars of a company which has lost almost US$1bn and cut its workforce by more than a third to 20,000 in the past six years in an effort to drive down costs to keep pace with declining prices.

At the end of 1986, total debt was almost equal to shareholders' funds at $995m. Despite all Mr Baird's efforts, Inco last year only just managed to break even with a $200,000 net profit.

Mr Phillips says that reducing costs will continue to be a top priority. Productivity in terms of output per manshift has risen 65 per cent since 1980, including a 13 per cent gain in 1986.

Further improvements at the group's Canadian mines at Sudbury, Ontario, and Thompson, Manitoba, resulting from increased mechanisation and plant modernisation, are forecast for 1987.

The group is also reducing costs at its troubled Indonesian subsidiary, PT Inco, although this is still losing money.

Mr Charles Baird, left, Inco's chairman, will retire this year after spending the past seven years grappling with the harshest nickel recession in memory. His successor, Mr Donald Phillips, right, is aware that he faces a daunting challenge. Reducing costs will continue to be a top priority, he says, although there will be no change in management style, reflecting the similarities in approach between him and Mr Baird.

Inco's technical and organisational achievements, particularly at Sudbury, are the envy of many mining groups. Unfortunately for Mr Phillips too many nickel suppliers, including the Soviet Union, are willing to continue supplying the market at current prices.

Producers are still paying the price for the extravagant increases in capacity installed when nickel prices boomed in the 1970s. Inco says in its 1986 annual report that its average selling price last year was the lowest since 1974 and the lowest in real terms since the early 1950s.

Unlike some mining groups, Inco has remained largely dependent on one metal, and its by-products. In addition to producing primary nickel, the company is the world's biggest producer of high-nickel alloys and a leading manufacturer of alloy-containing components.

The products are sold for their resistance to heat and corrosion to such customers as the aerospace, marine and chemical industries. As in mining, Inco's technical skills are undoubted – but, as Mr Phillips says, the markets are extremely competitive. The emphasis continues to be on cost-cutting.

Inco has been slower than most groups to invest in gold exploration in the 1980s – the obvious diversification for a mining company when base metal prices are depressed. It does have three good prospects – at Casa Barasi in Quebec, Crixas in Brazil, and Jardine, Montana. Mr Phillips estimates that Inco could have an equity interest in more than 100,000 ounces of gold a year – but not until the early 1990s.

To be fair, the pressing needs of rationalising nickel production, not to mention the group's heavy debts, did not give Mr Baird much room for manoeuvre.

However, the result is that Inco's future is almost as closely tied as it ever was to nickel. Mr Phillips hopes for at least a modest improvement in prices this year, resulting from further cuts in supply by other producers.

Beyond that it is a matter of wait and see. Mr Phillips says: "The change I would like to see (following my appointment) would be to be chief executive officer in a period of growth." This ambition could only be fulfilled with the kind of sustained price increase that few independent market analysts are able to predict.

GenCorp faces surprise $2.2bn takeover bid

BY JAMES BUCHAN IN NEW YORK

THE HIGHLY leveraged takeover returned yesterday to Wall Street with a $2.2bn bid for GenCorp, the Ohio conglomerate formerly known as General Tire & Rubber which has been severely hampered by legal problems in its broadcasting subsidiary.

The unexpected tender offer of $100 a share, announced yesterday by a partnership of Californian and Texan investors, immediately drove up GenCorp's share price $16½ to $107.

Analysts said "arbitrageurs" or professional takeover speculators, who have been subdued in recent weeks as the Boesky insider-trading scandal embroiled several senior members of their profession, piled into the stock yesterday morning in expectation of higher offers from elsewhere.

GenCorp, which diversified from its tyre business into aerospace, plastics, entertainment and bottling, has had to fight costly legal battles to retain television and radio licences operated by its RKO subsidiary.

Analysts say challenges to the licences, which stem from allegations about questionable business practices by GenCorp in the past, have depressed GenCorp's share price well below its break-up value.

Because of the need to satisfy litigants, RKO's "gross market value was not realisable or would take years to realise," said Mr Don De Scenza, an analyst at Nomura Securities in New York.

The tender offer is being made by a partnership consisting of AFG, a California glass maker, and Wagner & Brown, a closely held Texas oil and gas partnership which has taken part in bids made by the celebrated Texan raider, Mr T. Boone Pickens.

The two groups last year teamed up to make a $1.44bn takeover bid for Lear Siegler, a California conglomerate, but withdrew shortly after the eruption of the Boesky insider-trading scandal damaged confidence in highly leveraged financing.

The partnership said yesterday that it would put up $250m in equity capital and had negotiated a $1.25bn bridge loan with Shearson Lehman, the Wall Street investment firm, and a $1bn margin credit facility with Wells Fargo.

GenCorp, which for years was controlled by the O'Neil family, last year earned $130m, or $5.82 a share, on sales of $3.1bn.

Under Mr William Reynolds, who took over as chairman this year, the group has been concentrating on its profitable AeroJet General and plastics subsidiaries and attempting to resolve the challenges to RKO's television and radio licences.

AT&T to buy back shares

By Our Financial Staff

AT&T, the US long-distance telephone company, is to spend up to $809m in buying back two batches of preferred shares from the public in a move which, it says, will save about $50m a year in dividend outlay.

The issues have a stated value of $50 a share and pay respective annual dividends of $3.64 and $3.74. They will be redeemed for cash on May 1 after payment of the next dividend.

Last year AT&T reduced outstanding debt and preferred stock by some $1.6bn, reducing fixed charges by nearly $200m.

Fairchild unveils buyout plan

BY LOUISE KEHOE IN SAN FRANCISCO

MR DONALD BROOKS, president of Fairchild Semiconductor, the US semiconductor manufacturer, yesterday announced plans which could lead to a management buyout of the company following the cancellation of merger proposals by Fujitsu.

Mr Brooks said various proposals had been put to the Fairchild management, which would select a financial partner and make a proposal to Schlumberger, the parent company.

"We are not interested in an investor that wants to downsize the company. This will not be a leveraged buyout. We need financing for growth." Mr Brooks added that he expected Fairchild eventually to make a public offering.

He said Fujitsu and Fairchild would go ahead with plans for a close and co-operative relationship. Agreements between the two companies cover technology exchange, joint manufacturing in the US and Japan, and second sourcing of each other's products.

"I expect that our competitors will again raise protectionist objections to our relationship with Fujitsu, but our agreements with Fujitsu are much like those between Motorola and Toshiba, and Advanced Micro Devices and Sony. There is no reason why there should be any government objection."

"I believe our relationship with Fujitsu will significantly enhance Fairchild's future position. I am confident in Fairchild's future." The company aimed to regain profitability by the end of this year.

Commenting on reports of US government opposition to the proposed Fujitsu-Fairchild merger, Mr Brooks said he believed only a few administration officials had been opposed to the deal.

He was not aware of any direct US government intervention to prevent the merger.

Toys 'R' Us scores year-end record

BY WILLIAM HALL IN NEW YORK

TOYS "R" US, which describes itself as the world's largest and fastest-growing specialty toy retailer, has notched up another record year increasing its net income in the 12 months to February 1987 by 27 per cent to $152.2m, or $1.17 a share.

Mr Charles Lazarus, the 63-year-old founder and chief executive, said 1986 was an "excellent year" for the company in terms of sales, earnings and market share expansion.

The group opened 38 toy stores in the US. Full-year sales, boosted by new store openings, rose by 23.7 per cent to $2.44bn and comparable US toy store sales rose by 8.5 per cent.

Toys "R" Us also opened 11 toy stores overseas and moved into the Montreal and Hong Kong markets for the first time. It also opened 20 Kids "R" Us children's clothing stores, including an initial store in Chicago. The company says its overseas operations and Kids "R" Us contributed to earnings in 1986.

The company, which went public in 1978 when it was earning $17m a year, has been a major Wall Street success story, and shareholders have seen the value of their investment rise by more than 40-fold in less than a decade.

The company's shares rose by $1 to $38½ yesterday, and Mr Norman Ricken, the president and chief operating officer, forecast that 1987 would be another record year.

"We plan to open 45 stores in the US, 13 toy stores internationally and 30 Kids "R" Us stores. The company currently operates 271 toy stores in the US, 24 toy stores overseas, 52 Kids "R" Us stores and four department stores.

Audi expects sharp fall at year-end

By Haig Simonian in Frankfurt

PROFITS at Audi, the West German car producer which is part of the Volkswagen group, are likely to be roughly halved for 1986, according to Mr Wolfgang Habbel, Audi chief executive.

One third of the fall is due to adverse currency movements, according to the company. The remainder is largely attributable to start-up costs for the new Audi 80 model and lower sales in some markets.

Audi took pains to point out that the drop had nothing to do with the alleged foreign-exchange fraud at present besetting its parent.

The company's production of 383,000 vehicles in 1986 was down from the previous year's record 392,052. However, turnover actually rose in 1986 to DM 9.9bn ($5.3m) against DM 9.6bn in 1985, according to Mr Habbel, thanks to a larger share of higher-value models.

The effect of currency factors was most evident in Audi's sales to the USA, which declined to 59,800 cars against 74,061 in 1985. In the first two months of 1987, sales to the US fell to 7,000 from 10,000 in 1985.

Audi's export sales overall in 1986 fell by 10.5 per cent to 210,000 vehicles, against 233,861 in 1985. However, the company sold 154,000 cars in its home market against 137,187 in 1985.

Mr Habbel said Audi hoped to produce more than 400,000 cars this year and increase its turnover to more than DM 10bn.

Babcock seeks DM 330m

BY DAVID MARSH IN OBERHAUSEN

DEUTSCHE BABCOCK, the leading West German engineering group, yesterday set the terms of a DM 330m ($179m) rights issue designed to strengthen the company's capital base.

The two-for-five issue of 2m nominal DM 50 ordinary shares will be made at a price of DM 165, a substantial discount from the latest price on the Frankfurt bourse of just above DM 220.

The company said the larger-than-usual discount was intended to compensate shareholders for the low yield on Babcock shares in recent years. Shareholders will be able to take up their rights over the offer period which begins on March 26 and ends on April 8.

The operation follows closely on the heels of the Iran Government's disposal last month of its 25.2 per cent stake in Deutsche Babcock

Ferruzzi in acquisition move

BY ALAN FRIEDMAN IN MILAN

FERRUZZI, the Ravenna-based food and agriculture group whose hopes of acquiring British Sugar were dashed recently by the UK Monopolies Commission, said yesterday it was in an advanced stage of negotiations to acquire "a major European agro-industrial" concern.

The Italian group declined to name the company, but said it had more than £400m ($640m) of liquidity available for a purchase. This liquidity, raised in various share and bond issues over the past few months, would have been used for the acquisition of British Sugar.

Ferruzzi also said the company which it was negotiating to acquire "is not in Britain." Ferruzzi said the concern would fit into its strategy of controlling agro-industrial businesses which process grains and other agricultural products for food on the one hand and industrial applications on the other.

It had held talks with CPC International, the large US food processor, about possibly acquiring the US group's European operations (which include the Swiss-based Knorr soup division) but that CPC was not the company now under consideration.

The negotiations for the unnamed company, while at an advanced stage, could take another couple of months to conclude, Ferruzzi added.

INTL. COMPANIES AND FINANCE

Montedison plans pharmaceutical move

BY ALAN FRIEDMAN IN MILAN

MONTEDISON, the Italian chemicals, health care and energy group, is planning the eventual merger of part of its bulk pharmaceuticals division with Antibioticos, the Spanish pharmaceuticals concern which it is acquiring for Pta 57.2bn ($450m).

The Spanish Government has given its approval to the Montedison takeover of Antibioticos, a company with 2,000 employees, seven factories in Spain and 1986 sales of about Pta 28bn.

With the acquisition of Antibioticos, one of the largest-ever foreign takeovers by an Italian company, Montedison is set to overtake Gist Brocades of the Netherlands as the group with the largest single share of the European "free market" (involving the sale of antibiotic intermediates to third parties) in bulk antibiotics. Gist Brocades is believed to have about 15 per cent of the European market while the Antibioticos deal should give Montedison around 17 per cent, according to analysts.

It is understood that Montedison plans to invite key management from Antibioticos to help run a merged antibiotics division, combining part of the Farmitalia Carlo Erba business (where intermediates are worth about L165bn of annual sales) with the Spanish company.

Some analysts feel that Montedison is paying a premium price for Antibioticos although they say the deal represents a significant acquisition of market share in the sector. The Antibioticos purchase is a partial substitute for Montedison's attempted takeover last year of Sweden's Fermenta Group.

The price being paid for Antibioticos is about 20 times the company's 1986 earnings, or 15 times prospective current year earnings, according to executives involved in the deal.

● Buitoni, the Italian foods concern controlled by the De Benedetti group, made a L18.5bn net profit in 1986, against a nominal profit the year before. The profit was struck on consolidated group sales of L1,600bn.

Superfos turns to loss

BY HILARY BARNES IN COPENHAGEN

SUPERFOS, the Danish fertiliser, agro-industrial and packaging group, made a net loss of DKr 308m ($44.3m) last year compared with a profit of DKr 11m in 1985.

Only the sale to Finland's Kemira in December of 65 per cent of the group's Danish fertiliser business for DKr 600m kept the group afloat following its disastrous 1985 acquisition of Royster, the US fertiliser group.

Superfos is now negotiating for the sale of Royster to a US company, yesterday's preliminary statement said.

A DKr 375m loss provision for the Royster divestment has been made against equity capital. The purchase price of Royster was DKr 1.2bn.

A positive group result is forecast for 1987 following the sale to Kemira. The result will be significantly improved if the Royster sale also goes through, the statement says.

Group sales were down from DKr 11.27bn to DKr 9.55bn. The group reported a DKr 12m loss after depreciation, which widened after net financial costs to DKr 310m.

Alfa-Laval ahead 12%

BY SARA WEBB IN STOCKHOLM

ALFA-LAVAL, the Swedish dairy equipment and process engineering group, reported profits (after financial items) of SKr 730.6m ($114m) in 1986, an increase of 12 per cent on the previous year's figure of SKr 650.8m.

Invoiced sales inched up 1 per cent to SKr 10.16bn. Alfa-Laval expects similar profits in 1987 but says invoiced sales should increase at least SKr 1.5bn as a result of acquisitions during 1986.

Profits from these acquisitions are expected to show up in 1988 after consolidation and restructuring measures. The group says it faces uncertainty in the agricultural and food engineering divisions because of the introduction of new regulations.

Alfa-Laval has made a SKr 185m one-off write-down of goodwill in connection with its acquisitions.

The food engineering division suffered from a fall in orders because of a slackening in the dairy market. Order bookings for the marine and power division were hit by the further deterioration in the shipbuilding industry.

AIBD BONDS INDICES
Weekly Eurobond Guide March 13, 1987

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	8.544	0.305	9.619	8.440
Australian Dollar	14.695	0.170	14.735	12.830
Canadian Dollar	9.618	−0.476	11.218	9.618
Euroguilder	6.136	0.541	6.314	5.804
Euro Currency Unit	8.568	−0.430	9.182	8.164
Yen	5.784	−2.481	6.702	5.218
Sterling	9.993	−1.196	11.609	9.751
Deutschemark	6.088	−0.490	6.652	6.071

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INTERNATIONAL CAPITAL MARKETS and COMPANIES

Haig Simonian explains the delays facing huge German share placings

VW casts shadow over Veba float

"WE'LL BUY IT *if* they give it away," says one London-based European fund manager about the flotation of the West German Government's remaining 25.55 per cent stake in Veba, the energy and chemicals conglomerate, which has been scheduled *for* the *second* half of this month but may now be delayed.

Embarrassing though it may be for the Government and for Deutsche Bank, which is lead managing the placing, a postponement may now be the only option. Last week's hammer *blow* news about an alleged DM 480m ($261m) currency *fraud at Volkswagen—in which* the Government was also hoping to sell its remaining 16 per cent stake this year—has raised further doubts for international investors about an already unexciting equity market.

West German share prices have recovered somewhat since *the VW news, but the market* remains shaky and unable to *stage any consistent rally at a* time when neighbouring European markets—let alone Wall Street and Tokyo—are at or near fresh peaks.

One reason for West Germany's underperformance has been the sudden rush of placings of large blocks of *equity in leading companies.* Two weeks ago it was Hochtief, the *construction* group. Last week came Deutsche Babcock, the heavy engineering company. Veba may now be temporarily in doubt, but a large rights issue for Aachener and Muenchener, the insurance *group*, is not far behind.

Volkswagen was due to fol*low later in the year, along* with two smaller partial privatisations, DSL Bank and Deutschepfandbriefanstalt, a specialist financial institution.

However, Mr Gerhard Stoltenberg, West Germany's Finance Minister, has already acknowledged that it may not *now be possible for the Gov*ernment to sell off its remain*ing VW stake this year.*

Hochtief hit the news when *the older generation of the* Munich-based Finck family, which owned 25 per cent of the shares, decided to dispose of its holding for tax reasons. The Fincks, one of Germany's wealthiest family's, own the country's *third largest* private bank as well as a substantial portfolio of corporate investments.

Deutsche Bank bought the Fincks' stake in Hochtief, worth *around* DM 760m ($408m), before placing at least part of it through an international banking consortium at a 15 per cent discount, according to fund managers.

Last week's DM 280m-odd placing of 1.2m shares in Deutsche Babcock had a more exotic ring. Yet the Iranian Government had for some time been considering the sale of its 25.2 per cent stake. The company was due to make a DM 200m—300m rights issue next month and the shares had been outperforming the market.

CURRENT GERMAN EQUITY PLACINGS

Company	Estimated proceeds DM	Seller	Lead bank	Comment
Hochtief	760m	Finck family Invts. Co.	Deutsche Bk.	*Stake sold for private tax and inheritance reasons*
Deutsche Babcock	286m	Iran	Westdeutsche Landesbank	Iran sells 25.2% stake before April rights issue
Veba	2.5bn	W. German Government	Deutsche Bk.	Sale of Government's remaining 25.55% stake
Aachener & Muenchener	1.34bn	—	—	Rights issue
Volkswagen	1.6bn	W. German Government	—	*Sale of Government's remaining 16% stake. May be delayed to 1988*
DSL Bank	—	W. German Government	—	Partial privatisation. May be put back to 1988, as legislative *changes* required
Deutschepfand—briefanstalt		W. German Government	—	Same as DSL Bank

The *Iranians* probably judged *the time ripe* to sell.

The Veba sale will dwarf the Hochtief and *Babcock* transactions put together. Even at *yesterday's price* of DM 258.50—sharply down from last year's DM 346 peak—the disposal will net around DM 2.5bn in the largest fund raising venture attempted on West German stock exchanges.

Meanwhile, Aachener and Muenchener, the country's fifth largest insurer, which is 20 per cent owned by Royal Insurance *of* the UK, is tapping shareholders for new money to cover its *DM 1.9bn purchase of a* controlling interest in Bank fuer Gemeinwirtschaft (BfG). Aachener and Muenchener has *to pay* West Germany's trade union movement, BfG's previous owners, by June 1.

The bulk of the finance will come through a DM 1.34bn rights issue, approved at the company's general meeting on March 9. Aachener and Muenchener is issuing 1.76m new shares at a deep discount of DM 760 each. A further DM 44m of authorised capital will be allotted for eventual placing of bearer shares, mainly to be sold abroad.

Institutional buyers have mixed feelings about the attractiveness of some of the shares recently on offer and those to come. West German equities have already been pounded badly this year. The weakness of the US dollar, at least until last month's finance ministers' meeting in Paris, *spurred* a burst of profit-taking by many foreign investors that left the market reeling.

The dollar has recovered somewhat, yet many analysts remain bearish about the outlook for West German corporate *earnings in* 1987, *given* the strength of the D-Mark and the prospect *of only moderate* growth at home.

Deutsche Babcock has won praise for restructuring towards higher value, more specialised equipment, especially in the now-fashionable pollution control area. But the shares, which have been placed with friendly institutions, were no "giveaway," according to one *London*-based fund manager.

Veba is a different matter. *With its* large *number* of subsidiaries in many areas of the economy, the company has long been seen as a solid, good quality defensive stock. Some of those subsidiaries have become quite "interesting" in themselves of late, thanks to restructuring.

"Veba has traditionally been bought as a yield stock. Some fund managers are disappointed that the group is not increasing *its 1986 dividend beyond* the DM 10 a share paid a year ago, in view of the forthcoming sale. However, even as matters stand, Veba offers an appreciably higher dividend yield than the 2-2.5 per cent norm for West German companies.

The VW news could not have come at a worst time for the Government's Veba placing. Postponing the deal would leave egg on some faces, especially after Deutsche Bank's series of international roadshows last week. On the other hand, selling the Veba stake off *cheap* would be an embarrassment too.

"They could still *do* it," says one analyst. "It's just a question of how keen they are to do so." "It's all a question of price and timing," says another.

Aachener and Muenchener may be the trickiest bet of all. The sector has performed *extremely* well in the past, and many international investors have been taking their profits. Moreover, the company has its hands full with BfG. The bank's business has been severely strained by the repercussions of the Neue Heimat *scandal*

Profitability at all the German banks will be under pressure this year, with interest *margins slipping. Commission* income on securities, which buoyed up the banks' *results* in 1986, is also likely to be appreciably lower this time round.

At least the Government is not depending on the privatisation proceeds for budgetary purposes. Its estimate of DM 3.3bn for all this year's planned sell-offs is extremely conservative.

Acquiring BfG could be an astute *long-term* move by the Aachen-based insurer. Cross-marketing opportunities between banking and insurance exist, and are likely to grow as the country's insurance companies try to find ways to persuade life clients to keep the proceeds of their maturing life policies within the insurance system.

However, it will be some time before the fruits of these links *come through*. In the meantime, Aachener and Muenchener *could* have a *hard job* convincing fund managers of the benefits.

CSFB chief protests at lack of regulation

By William Dullforce in Geneva

A SHOUT of warning that financial markets may be dangerously outpacing their regulators has come from one of the most fertile exploiters of deregulated markets.

The "element of fear" among bankers was enormous because they had not *intellectually* "masterminded" the new financial *instruments*, Mr Hans-Juerg Rudloff told a meeting of the Swiss Bankers' Association in Geneva.

Mr Rudloff is general manager of Credit Suisse, Zurich, and deputy chairman of Credit Suisse First Boston, London, the Eurobond market's top lead manager.

Entrepreneurs were going into financial arbitrage to make up *for* sluggish profit performance, taking *up-front* earnings against unassessed *future liabilities*, he said.

Bank managements had no *idea of the* liabilities *they* were incurring. A single bond transaction could have up to 12 components, one of which going wrong could put the whole operation in jeopardy.

Regulators were being left far behind by the development of increasingly sophisticated financial instruments and by the globalisation of markets. "*We are moving faster* than any regulator," *Mr* Rudloff said.

In retrospect the pace of *deregulation*, "*virtually in 18* months," had been "unconsidered." Bank *supervisors* had now seen the need for action but there was no way in which the imposition of domestic regulations could influence global markets.

International co-ordination was needed to establish some basic standards to govern the new *financial* instruments. In the meantime, the answer had to be *self-regulation by inves*tors and bankers and the *most* careful use *of* the *new instruments*.

The dangers had recently been signalled, Mr Rudloff said, by the Volkswagen currency fraud, the City of Stockholm's problems and the collapse of the perpetual floating rate bond market.

Reaction among Swiss bankers to his off-the-cuff remarks was mixed. Some admitted to being scared by the pace *of globalisation* and the difficulty in assessing *risks: others felt that Mr* Rudloff should not have blown the whistle so loudly.

Mr Rudloff stressed yesterday that he was not seeking the reintroduction of tightly regulated regimes. But the very strict old order in financial markets had been destroyed, we had "a state of anarchy in many ways" now and a new order had not yet been created.

Prospectus move for Swiss notes

By John Wicks in Zurich

PUBLICLY offered Swiss franc notes are likely to need full prospectus backing in the near future. Negotiations between the Swiss Bankers' Association and the country's Banking Commission, said to be at an "advanced stage," are *expected* to *result in* a formal agreement before the year-end.

Unlike bond issues, medium-term *notes* are not listed on Swiss stock exchanges and their issue has never required publication of a detailed prospectus. Underwriting banks are therefore not subject to the same prospectus liability as in the case of bonds.

Last June, however, the National Bank lifted a *number* of *restrictions* on maturities, early redemption and *denominations*, putting bonds and notes on much the same footing. Bonds and "published notes" are now a single statistical entry on the National Bank's statistics.

The move had followed a series of liberalisation measures which had taken a large part *of* the *notes* market out of the "private *placement*" *category* by making them virtual public offerings.

Although the underwriting banks have generally improved their information policy in respect of notes, the Banking Commission feels that the public nature of many notes offerings *obliges* the banks to give fuller publicity in the *form of* a *prospectus*.

In *fact*, this could mean more comprehensive information than that now provided by bond prospectuses, in that banks will apparently be expected to present information during the life of the notes and not just at issue.

Perpetual FRNs

As a result of an error in transmission, a report in Tuesday's FT put the estimated losses of Japanese banks from perpetual floating rate notes at $10bn. The correct figure is $1bn.

Cuts in UK interest rates open Eurosterling window

BY CLARE PEARSON

TWO UK property companies, *Land Securities and British* Land, issued £130m of debt into *the* Eurosterling market yesterday. They weer encouraged by *the strength of the currency* and the gilts markets, which *held firm on hopes of even* lower interest rates after the ½ per centage point cut in UK bank base lending rates during the morning.

Both issues met reasonably firm responses fro mthe market, although neither proved as popular with European investors as some other deals for better-known UK companies have done in recent weeks.

The ebullient mood of the gilts market opened up an issuing window for Land Securities ot issue a £100m *deal* with an unusually long 20-year maturity. Bonds *of this length of life* are rare occurrences in the Eurosterling market, although ICI—also spurred on by an enthusiastic gilts market—borrowed 18-year funds last week.

Land Securities is less *familiar* to foreign investors than ICI and yesterday's issue was *principally aimed* at UK domestic institutional investors, lead manager J. Henry Schroder Wagg said. The issue may be traded interchangeably with an earlier issue which matures in 2007, launched last year.

The 9½ per cent issue, priced at 95½, traded at a *bid price* of about 93¼, within its 2½ per cent fees.

Meanwhile, Credit Suisse First Boston launched a £80m 15-year convertible issue for British Land. The lead manager said *it* was channelling most of the paper abroad, creat*ing a scarcity in London.* But the deal traded at a bid price *of 101, ¾ point* below *its* issue price, rather than shooting to an immediate premium as some other convertibles for UK companies have done recently.

Even at this level the deal was trading well within its 2½ per cent fees. It was priced with an indicated coupon of between 7¼ and 7⅝ per cent and indicated conversion premium *of 25 to 28 per cent.* There is no put option for the investor, but British Land can call the deal at 106, and later at declining premiums.

The Canadian dollar market continued firm, and Wood Gundy led a C$75m 10-year deal for triple-A rated Toronto, a popular name in the market. The 8¾ per cent issue was priced at 101½.

Orion Royal Bank led a C$75m six-year issue for Chrysler Credit Canada, guaranteed by Chrysler Financial Corporation. Although the borrower is currently on credit watch with the US rating agencies, this deal met a fairly positive response from the market.

Dealers ascribed this to its attractive terms, adding that the market's view of Chrysler has improved since the announcement earlier this month that it is acquiring American Motors Corporation. The 9¼ per cent deal was priced at 101½.

One new deal *emerged in the* Eurodollar market, which continued to trade very thinly yesterday. The $100m seven-

INTERNATIONAL BONDS

year issue was for New Zealand Dairy Board Finance, guaranteed by New Zealand Dairy Board.

Dealers said this was not the type of name to excite the market on a dull day, even though the issue was priced to give an initial yield of 105 basis points over US Treasury bonds. The 8 per cent bond, priced at 100½, was quoted at levels close to the 1½ fees. It was led by Warburg Securities.

Three issues surfaced in the Euroyen market, where prices rose again yesterday. Two of them were targeted at specific pockets of demand, and did not trade widely.

The first was a Y15bn five-year 7½ per cent issue for Christiania Bank, priced at 101¾. Its redemption amount is related by a formula to the *yen/dollar* exchange rate, such that the amount rises as the *yen strengthens. It* was *led* by Yamaichi International (Europe).

Nomura International led a Y19bn five-year zero coupon bond for Credit Lyonnais, priced at 81.22.

IBJ International led the third *deal*—a Y15bn five-year 5 per cent issue for Associates Corporation of North America, the financing company which is owned by Associates First Financial Corporation, part of Gulf & Western, the US services conglomerate.

The issue, which is priced at 102¾, met an unenthusiastic response from the market although it was supported by the lead manager.

In Australian dollars, Hambros Bank announced late in the day an A$150m (nominal) five-year zero coupon bond for the World Bank, priced at 53 per cent. It was quoted at 52¾ bid, against 1½ per cent fees.

Credit Suisse First Boston earlier announced an A$50m 14½ per cent issue for Austria. The deal was expected to have a strong appeal for European investors. It has a five-year life and 101¼ issue price. It traded well within 2 per cent fees at 100 bid.

Orion Royal Bank led an A$40m three-year 15 per cent issue for National Australia Bank, priced at 101½.

In French francs, Societe Generale led a 10-year FFr 900m issue for Midland Bank International Financial Services, guaranteed by Midland Bank. The par priced issue pays interest based on the rates of 13-week Treasury bills plus 35 basis points for the first five years, and then plus 65 basis points for the rest of its life. The issue is callable after the first year.

It carries 90,000 warrants priced at FFr 230 each exercisable for five years into an 8¾ per cent 10-year non-callable bond.

In the D-Mark market, prices improved by up to ½ points. Dealers said some investors were expecting the D-Mark to appreciate against the dollar.

In Switzerland, some selective buying interest was emerging although prices were mostly unchanged at the close.

Swiss Bank Corporation led a two-tranche SFr 160m deal for Toyobo Corporation, the Japanese spinning company. The five-year tranche, with a 4¼ per cent coupon, is priced at 100¾. The 4⅞ per cent seven-year tranche is priced at par. Both tranches incorporate call options.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on March 18

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	99	99⅝	+0⅛	+0⅞	7.72
A/S Eksportfinans 7⅞ 92	100	99⅞	100	[illegible]	[illegible]	7.66
Australia Com. 11 95	200	116¼	117¼	[illegible]	[illegible]	8.05
Austria 7⅞ 97	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Expr. OS Cr. 5⅜ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 6⅞ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark, Kingdom 5⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 4⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Strong yen hits Sony earnings

By Yoko Shibata in Tokyo

SONY, the Japanese electronics group, remained severely hampered by the strong yen in its first quarter to January, reporting consolidated net profits of Y7.65bn ($50.3m), down 59.2 per cent, on sales 6.3 per cent lower at Y343.06bn.

Sony is to change its year-end from October to March, and the current five-month period will finish in 12 days' time.

During the first three months, Sony and its group companies showed a moderate growth of 3.6 per cent in domestic sales, thanks to a solid performance by compact disc players and other audio equipment.

But the negative impact of the yen eroded gains in dollar-based sales in the US by about Y49bn. US sales thus fell 11 per cent, and overseas sales were down 19.4 per cent to account for 68.2 per cent of the total.

By product, audio equipment showed healthy demand, but video equipment, excluding the new 8mm format camcorders, managed only slower growth.

Deteriorating profits from exports resulted in a 38.1 per cent fall in operating profits to Y17bn. Net earnings per share declined to Y33 from Y81.

For the five months to March, consolidated net profit is projected at around Y16bn, down 65.9 per cent from the comparable period of the previous year, on sales of about Y550bn, down 4.6 per cent.

Cheaper fuel boosts Cathay Pacific

BY DAVID DODWELL IN HONG KONG

CATHAY PACIFIC AIRWAYS, the Hong Kong-based airline controlled by Britain's Swire group, yesterday reported attributable profits for 1986—its first year as a public company — of HK$1.23bn (US$157.7m). This marks a 59 per cent increase on HK$777m earned in 1985.

The rise in profits, on turnover up 20 per cent to just under HK$9.1bn, was largely due to lower fuel prices, as well as strong earnings in Japanese yen and European currencies at a time when the Hong Kong dollar, linked to the US unit, has been weak. The profit would have been even greater if not for a tax bill up from HK$111m to HK$297m.

The group noted that passenger traffic, as measured by revenue passenger kilometres, rose 11.6 per cent and passenger revenues by more than 16 per cent. A 21 per cent surge in air cargo traffic—symptomatic of Hong Kong's strong trading performance in 1986—boosted cargo revenues by 38 per cent to HK$1.8bn.

Cathay's fleet grew to 21 at the end of the year with the addition of two new Boeing 747-300 extended upper deck aircraft. Seven new destinations were added, including Paris and Rome. A month ago, the airline took delivery of a further Boeing 747-300, with another due for delivery in the autumn, along with a Boeing 747 freighter.

Also keeping the company busy over 1986 has been a steady battle with Hong Kong Dragon Airlines to protect its regional route network. Perhaps most important was the group's success in blocking Dragonair's bid to serve Peking and Shanghai in mainland China. While making no specific reference yesterday to Dragonair, Cathay emphasised its credentials as a local Hong Kong airline by noting it had 27,000 shareholders on its register at the end of the year.

The public flotation in Hong Kong of 25 per cent of its shares last April was seen as a move to underscore Cathay's status as a Hong Kong, rather than a British, airline ahead of 1997 when sovereignty of the territory is transferred to China.

Another important strategic move to cement Cathay's post-1997 status as Hong Kong's de facto flag carrier was the sale in February of a 12.5 per cent stake in the airline to China International Trust and Investment Corporation (Citic), one of Peking's most powerful overseas investment arms. Citic paid HK$1.94bn for its holding.

The Cathay board is to recommend a final dividend of 14 cents a share, making a total for the year of 20 cents.

Further recovery in Sun Hung Kai profits

BY OUR HONG KONG CORRESPONDENT

SUN HUNG KAI and Co, the Hong Kong-based financial services group that recently dissolved a five-year link with Merrill Lynch of the US yesterday reported consolidated profits for 1986 of HK$121.4m (US$15.6m), an increase of 80 per cent

The group also disclosed an extraordinary gain for the year of HK$72m, from the transfer of loans linked with the sale of Sun Hung Kai Bank to Arab Banking Corporation of Bahrain in 1985.

The withdrawal from Sun Hung Kai of Merrill Lynch, which had taken a 25 per cent holding in 1982, marks the final stage in a slow recovery of a group founded in 1978 by Mr Fung Ping-Fan, and headed since Mr Fung's death in 1985 by his son, Mr Tony Fung.

Difficulties encountered in the early 1980s almost led to the Fung family losing control of the group. Substantial holdings were sold to Banque Paribas of France and to Merrill in SHK's efforts to stay afloat. The collapse of the Hong Kong stock market in 1982 and the slow recovery of the market since then, has dampened the group's progress, but the last two years have seen profits recover from a bare HK$14m in 1984.

Paribas sold its holding in 1985, but Merrill, which acquired its holding at a much higher price, has only recently been in a position to withdraw without incurring substantial book losses on its investment.

The withdrawal of Merrill Lynch also marks a recognition by both groups that Sun Hung Kai's plans to expand in the US are being hampered by Merrill's competing interests there, while Merrill itself had been committed under its original purchase agreement not to compete with Sun Hung Kai in Hong Kong.

The group is recommending a final dividend of 6 cents, and a special cash bonus of 4 cents, making a total dividend for the year of 13 cents. A 5.5 cent total was paid the previous year.

United Plantations omits final payout

UNITED PLANTATIONS, a major Malaysian palm oil producer is to omit its final dividend following a 68 per cent fall in net profits to 9.1m ringgit (US$3.6m) last year, Wong Sulong reports from Kuala Lumpur.

The company, will however, capitalise 25m ringgit from unappropriated profits to make a one-for-five scrip issue to increase its paid-up capital to 150m ringgit.

UP decided to pass the final dividend (10 cents a share previously) because of the need to finance the rapid development of 25,000 acres of jungle. This has so far cost the company 75m ringgit, but once the acreage is developed, by next year, it will have more than 55,000 acres of high-yield palm oil and cocoa estates, all within a 30-mile radius in Lower Perak state.

Turnover rose by 43 per cent to 132m ringgit, but profits were affected by palm oil prices well below the cost of production for most of the year.

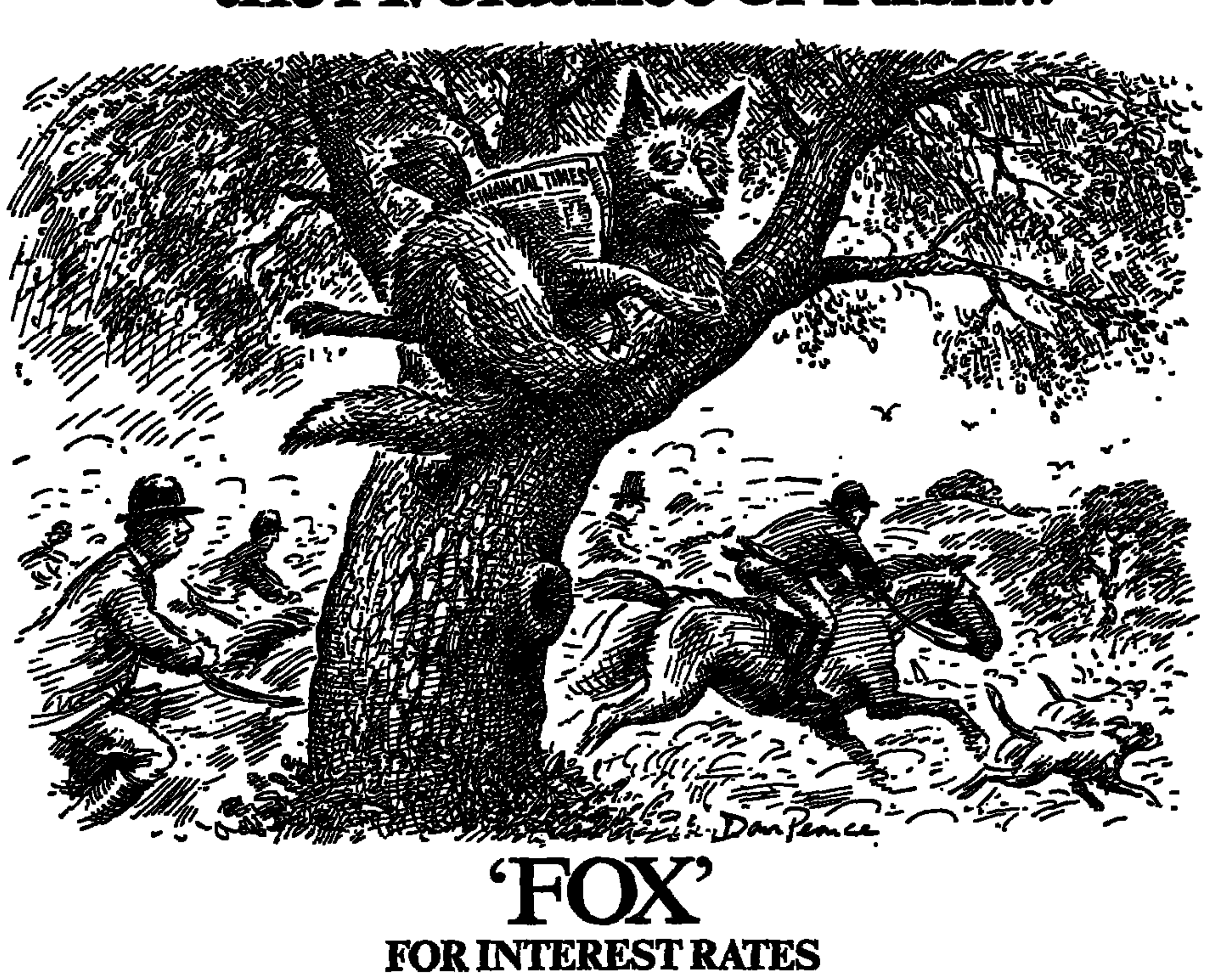
However, the depressed prices helped reduce the Malaysian palm oil stock level from a record 950,000 tonnes in February last year to 400,000 tonnes, and prices have been restored to a profitable 750 ringgit per tonne.

Henderson lifts stakes in ferry and gas groups

HENDERSON LAND, the Hong Kong property group controlled by Mr Lee Shau-Kee, revealed yesterday that since June last year it has spent more than HK$1bn (US$128.2m) building up what amounts to controlling stakes in Hongkong and China Gas and in Hong Kong Yaumati Ferries, two substantial companies quoted on the Hong Kong stock exchange, writes David Dodwell in Hong Kong.

A Henderson official said the group now held a 25 per cent stake in the utility that supplies town gas throughout the territory, and a 33 per cent stake in the group headed by Mr Edmund Lau that runs ferries both around Hong Kong and between Hong Kong and destinations in mainland China.

The group also reported net profits for the six months to December of HK$211m, up 52 per cent.



UK COMPANY NEWS

MORGAN GRENFELL PROFITS RISE 20% AND INDICATORS POSITIVE

Weathering the City's storms

BY DAVID LASCELLES, BANKING EDITOR

Morgan Grenfell's name has become almost synonymous with drama and scandal in the City of late. So it was not surprising that Lord Catto, chairman, chose the word traumatic yesterday to describe the last three months

During that time it has been at the centre of both the Collier and Guinness affairs, the latter costing it several key people including Mr Christopher Reeves, chief executive.

Not that any of this came through in the result for 1986. Pre-tax profits, at £82.2m were up a useful 20 per cent, and all the other key indicators of bank strength, such as capital, liquidity and dividend growth, were positive. Sir Peter Carey, the former senior civil servant who is now chairman of the executive committee, also went out of his way to stress: "We look to the future with confidence."

Nonetheless, Morgan still looks bruised and shaken from its traumas. And yesterday's results which were below expectations, will be keenly picked over by other members of the financial community for signs of weakness and vulnerability, particularly to takeover.

The bad news is that the inquiry by the Department of Trade inspectors into the Guinness affair is still going on. The group has not seen any need to make provisions for possible lawsuits arising from Guinness, and it carries professional indemnity insurance. But until the inspectors make their report, there will be a question mark over Morgan.

Sir Peter Carey, chairman of Morgan Grenfell's executive committee.

Two months after Mr Reeves' departure, Morgan is also without a chief executive. Sir Peter said that the search for a suitable replacement was still going on and that he hoped to make an appointment within two months. But the longer the delay, the greater the uncertainty.

What is less easy to assess is the impact of all the scandals on Morgan's business.

One financial legacy of Guinness is that Morgan now holds 7m Guinnes shares, bought during last year's takeover bid for Distillers, which have since fallen sharplly in value. Morgan declines to quantify the loss exactly, instead it has rolled it together with other losses sustained on its US arbitrage business which was hit by the other of last year's big scandals, the Ivan Boesky affair.

Together, these losses amounted to about £8m at year end, and largely explain why Morgan's total profits fell short of the forecasts. However these losses still exist only on paper and may be recouped as prices rise again.

It is also hard to see whether the scandals have affected the group's corporate finance business because Morgan does not break down its earnings. Lord Catto said that corporate finance increased its profit contribution last year, though he would not say how business had gone in the first part of this year when Guinness would have made its biggest impact.

Sir Peter said: "We realise thas we may have to work harder to get new clients. But we have had useful places of new business which augur well for the future."

Total corporate finance transactions for the year were 111 for 84 clients, with an aggregate value of £15.2bn, but the bulk of the earnings were made in the first half of the year.

The more encouraging news is that the headhunters who have been stalking Morgan's star people have so far failed to make a big catch. Sir Peter said that "morale and loyalty are high," and that he had had no trouble recruiting from educational establishments or other banks.

Morgan also seems to have made a good start in the Big Bang with its new securities operation. Mr John Holmes, director of Morgan Grenfell Securities, said the equity business was making money and had a 2 per cent share of the total client business.

The gilt-edged primary dealership, in common with most others, lost money—about £1m.

The costs of setting up the new securities businesses have all been absorbed. Morgan has writen off £66m against reserves to cover the cost of buying two Stock Exchange firms, Pember & Boyle and Pinchin Denny, and the "golden hellos" paid to attract new people.

A further sum, said to be "in the mid-teens" was written off in the profit and loss account for other start-up costs and trading losses.

The task Morgan has set itself is to restore its name and get a better balance to its business. The committee, headed by Lord Catto to improve the organisation, has made its first interim report to the Bank of England. Various structural reforms are planned to try to improve controls without shackling Morgan with a great bureaucracy.

At the same time, Morgan will try to reduce its dependence on corporate finance by building up other sources of revenue, primarily on the securities side and in its international business.

It is probably safe to say that Morgan's fortunes have hit bottom. It is now a matter of how far and fast they can rise again.

See Lex

Dixons takes over control at Cyclops

BY CLAY HARRIS

Dixons Group, Britain's leading electrical retailer, took control of Cyclops Corporation yesterday after closing a takeover offer which valued the Pittsburgh-based group at $384m (£240m).

Cyclops 119-store Silo chain gives Dixons a firm beach-head in the US electrical retailing market.

"The acquisition has now been successfully completed, so it's on with the retailing," Mr Gerald Corbett, Dixons finance director, said yesterday in New York.

The UK company lost no time in putting its break-up plan into action. Three Dixons' executives joined the Cyclops board yesterday, replacing seven resigning directors, and the new board immediately approved the sale of Cyclops' steel and industrial activities to MSL Acquisitions, an associate of Alleghany Corporation, for $110m in cash.

Dixons closed its $90.25-per-share tender offer early yesterday after raising its holding to 54 per cent.

Although it is open to Dixons to raise this holding through further market purchases, its effective stake already exceeds 80 per cent because of an option to subscribe for all of Cyclops' authorised but unissued shares. That level of control was necessary to execute the sale to MSL.

Silo, a leading force in the specialised "power retailing" sector, reported pre-tax profits of $23.2m on sales of $494m in 1986. Dixons would review the future of Busy Beaver, an 11-shop DIY chain, Mr Corbett said.

A rival suitor for Cyclops, Cyacq Corporation, said last week that it might raise its bid from $80 to $92.50 under certain conditions, but the new offer never materialised.

Another potential hurdle fell late on Tuesday when a Cyclops shareholder withdrew his legal challenge to the bid. Dixons promised to give him one business day's notice before exercising its option buy the unissued shares.

The success of the bid means that the 70p final instalment on Dixons £186m convertible stock rights issue will be payable on June 3.

James Capel breaks with L and N over Tace placing

By Nikki Tait

London and Northern, the beleagured construction, healthcare and energy group, ran into further trouble yesterday when its stockbrokers, James Capel, resigned over the placing by L and N of a £6.5m stake in Tace.

The construction company, where an unwanted bid from Demerger Two lapsed earlier this week, announced yesterday that it has placed 1.44m shares in Tace, the control equipment manufacturer which shares its chairman, Mr Jock Mackenzie, with L and N.

The placing, at 460p a share, was handled by stockbrokers Sheppards and around 15-20 institutions were involved.

This represents a 19.25 per cent stake in Tace and leaves L and N with an on-going 11.25 per cent holding in the company. The share sale will raise £6.52m after expenses, against a book value of £6.11m as at end December 1986, and will be used to reduce short-term borrowings.

Yesterday, James Capel said it had offered advice over the placing, which directors of L and N had rejected. "The next thing we knew was when a client rang and said he had been offered Tace shares through Sheppards—we felt that was completely improper," added the brokers.

Capel said that its advice had been at odds with the board's wishes, both on the placing mechanics and whether it should be done at all.

Sheppards have been brokers to L and N in the past, but about a year ago the company—together with Tace—switched to Capel. It was Capel which acted during the recent bid activity at London and Northern. Sheppards are now being reinstated as brokers to the group.

Under the placing arrangements, L and N shareholders are being offered a "claw-back" on the placing shares. They will be able to subscribe on basis of one Tace share for every 77 L and N, at the placing price. Yesterday, Tace shares dropped 10p to 470p.

Tace will no longer be accounted for as a related company at L and N; during 1986, it contributed pre-tax profits of £869,000 to the group total.

One of the problems hanging over L and N has been its debt level. Gearing stood at around 70 per cent at the time of the interim results in October, and there has since been no substantial progress on the repayment of the £25m owed on a hospital management contract in Sharjah.

Yesterday, shares in L and N dipped 1p to 79½p.

Burton buys Pengap Estates for £60m

By Nikki Tait

Burton Group, the retailer, announced yesterday that it is buying a privately-owned property company, Pengap Estates, for £6m, part of which will be paid in cash.

The deal will substantially expand the Burton Property Trust subsidiary. This was set up two years ago in an effort by Burton to move into property development and investment, and to ensure a flow of new sites for its own stores.

The Pengap portfolio consists of 27 development and investment properties. The bulk of these are high street outlets, but—as as far as Burton itself is concerned—interest is concentrated largely on its involvement in four city-centre developments. These are in Darlington (jointly with Land Securities), Stockton, Rochdale and—at a very early stage—in Bradford.

Directors of Pengap, which was formed about eight years ago, will stay on as consultants for a six-month period.

T & N calls for £71.7m as profits edge further ahead

BY RALPH ATKINS

Turner & Newall has launched a £71.7m rights issue to pay for borrowing incurred as a result of taking over the AE engineering group last year.

The announcement came with the group's preliminary results showing pre-tax profits up £5.1m to £44.7m in the year to December 1986. Turnover rose to £540.8m from £535.1m in 1985.

Turner & Newall paid £125m cash for AE and also took on the engineering group's net borrowings of £85m. At the end of February Turner & Newall's borrowings stood at £234m.

The rights issue consists of 36.15m new shares at 205p a share. Shareholders are being offered one new share for every six already held.

Shares in Turner & Newall, which manufactures products for the automotive, engineering and plastics industries, closed 11p down at 230p.

The rights issue is the second in a year for the group. In May last year it called on shareholders for £46m before making its bid for AE.

Turner & Newall had control of AE for only three weeks in 1986. To account for this it has produced separate profit and loss accounts for the two groups.

Sir Francis Tombs, chairman of T&N

Turner & Newall's results show increased profits in all divisions except mining in Zimbabwe where trading profits fell to £2.7m from £6.3m.

Earnings per share, however, fell to 24.45p (25.49p) because share issues in consideration of the AE acquisition and the May rights issue resulted in an enlarged share capital.

A final dividend of 5p is proposed, making a total for the year of 7.5p compared with 5p in 1985. New shares issued under the latest rights issue will not rank for the final dividend.

Ta xcharges as a percentage of pre-tax profits fell to 23.7 per cent from 25.7 per cent. Net payments in respect of claims for asbestos related diseases came to £1.8m compared with £2.3m in 1985. Other unallocated costs, including legal fees, amounted to £4.4m against £2.7m in 1985.

Trading profits in the engineering division grew by 25 per cent to £21.8m in 1986 but the automotive division had less impressive results. Trading profits in the division were up 6 per cent to £19.5m.

Turner & Newall is changing the year end of AE to coincide with its own. Results for the 15 months to December 1986 show the AE achieving a pre-tax profit of £27.4m on a turnover of £485.6m.

See Lex

Logica doubles to £4.2m as margins increase

Logica, computer software company, more than doubled its first half pre-tax profits to £4.23m and announced contracts worth more than £500,000 for the European Space Agency's Columbus programme.

The company's main task in Phase B2 is to manage the definition of the system software.

Turnover for the six months to December 31 rose by more than a third to £45.36m.

Directors said the growth in margins was due to good trading, to the elimination of losses in some operations and to the benefit from the company's strong cash situation.

They believed the company was on target for a very good year. "The years ahead continue to present fine prospects for the growth of the software and systems industry, and for Logica's continuing position as an industry leader."

There was an interest credit of £396,000 compared with a debit of £761,000 the previous year. After tax of £1.54m (£805,000), earnings per share more than doubled from 2.6p to 5.4p.

Over the six months Logica formed a new operating company in Taiwan, created a new subsidiary in the US and expanded its Australian offices.

Directors declared an interim dividend of 0.5p. This compares with no interim dividend last year and a final dividend of 1p.

● comment

The resurgence in Logica's trading profit confirms that its troubles of a year or so ago have been safely consigned to the memory banks, leaving a strong underlying growth rate to be supplemented by fatter margins and the elimination of £300,000-£400,000 of losses in the US. At the pre-tax level, there was a further bonus from the proceeds of last year's rights issue: Logica began and ended its first half with £8m cash in the balance sheet, and although some of that will have been absorbed by the year end, it should still provide a fillip on the way to the expected £11m out-turn. With the shares up another 8p at 329p yesterday, the prospective p/e multiple on a tax charge flattening out at 35 per cent is 23. This does not look demanding when compared with similar figures for SDI and CAP, but those companies' prices are buoyed by bid speculation whereas Logica has already demonstrated its will and ability to deter unwelcome predators. On trading grounds alone, it is now looking fairly fully valued.

Rank Organisation makes progress

Sir Patrick Meaney, chairman of the Rank Organisation, told shareholders at the annual meeting that trading in the current year had continued satisfactorily, taking into account the seasonal variations between the first and second halves.

The associates, principally Rank Xerox, indicated an improved performance.

Sir Patrick said that investment in existing activities in 1987 should continue at a relatively high level in order to exploit profitable growth opportunities. He did not exclude the possibility of adding larger as well as small acquisitions to further advance the Organisation.

Pochin's up 95% to £687,000 after settlement

Pochin's, builder and civil engineering contractor, boosted its interim pre-tax profits by 95 per cent to £687,000 after the lower than expected settlement in the Victoria University of Manchester court case left it with extra funds.

Directors said they had made substantial provision for the expected payment, and the balance had been released.

"The company is trading solidly in all areas, and has a healthy order book," they said. "We anticipate being in a position to give a satisfactory report for the full year."

Turnover for the six months to November 31 rose from £10.98m to £11.11m. After tax of £250,000 (nil), earnings per share were 24 per cent higher at 42p (33.8p).

BOARD MEETINGS

TODAY

Interims: Arbuthnot Government Securities Trust, Barratt Developments, GR Holdings, S. R. Gent, IFICO, Marler Estates, Stocklake, Town Centre Securities, Thomas Walker, West Yorkshire Independent Hospitals.

Finals: Britoil, Church and Co., T. Clarke, Delaney, Glentree, House of Leroes, A. Jones, LWT, Legal and General, Moorgate Group, OCE (UK), Octopus Publishing, Pleasurama, Refuge, Spong, Superdrug, Williams Holdings.

FUTURE DATES

Interims—	
AB Electronic Products	Mar 31
APV	Apr 15
Chambers and Fargus	Mar 24
Close Brothers	[illegible]
Parry Pickering	[illegible]
Pifco	[illegible]
Finals—	
Abbey Life	[illegible]
Ault and Wiborg	[illegible]
Babcock International	[illegible]
Botswana RST	[illegible]
British Syphon Industries	Mar 30
Brixton Estate	Apr 8
Canning (W.)	Mar 25
Early's of Witney	Mar 23
Estates and General Investments	Mar 30
Garfunkels Restaurants	Mar 24
Keep Trust	Mar 25
Peek Holdings	Mar 31
Standard Chartered	Mar 24
Wood (Arthur) (Longport)	Mar 26

† Amended.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div	Total for year	Total last year
Cala	int	0.7	Apr 15	0.6	—	1.85
DRG		5.7	July 6	4.95	9.35	8.25
Morgan Grenfell		7	—	—	10.5	—
ICH	int	3	May 1	3	—	9
Jones Shipman		3	—	2.7	4.15	3.85
Logica	int	0.5	Apr 24	nil	—	1
Hugh Mackay		4	—	3.2	5.5	4.6
Norank Systems		‡2.5	May 28	—	4	—
Pochin's	int	4	—	4	—	14
Rentokil		1.78	—	1.55	2.8	2.44
G. H. Scholes	int	4.5	May 13	4*	—	11.5*
Sirdar	int	†1.65	May 11	1.65	—	5.15
TOD	int	‡1.5	May 5	1.3	—	3.3
TSW	int	0.83	—	0.64	—	2.05
Turner Newall		5	—	3.85	7.5	5
United Biscuits		†6	July 1	5.15	9.5	8
Waterford Glass		¶1.68	June 12	1.4	2.88	2.4
Watmoughs		5.8	Apr 24	4.8	7.8	6.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Irish pence throughout.

UK COMPANY NEWS

Charles Fulton helps lift ICH profits to £7.2m

International City Holdings (ICH) financial broker, lifted pre-tax profits from a restated figure of £6.5m, reflecting the acquisition by merger of Charles Fulton, to £7.2m in the six months to January 31 1987. Turnover more than doubled from £27.7m to £59.5m.

Mr Robin Packshaw, chairman, said that the securities broking division had enjoyed a good first six months and the company was confident of its prospects for the secnd half.

The division included UK Gilt inter-dealer broking, which commenced trading on October 7 1986 and was beginning to repay the heavy investment.

Mr Packshaw said that the results of the money broking division were mixed but the company expected an improved second - half performance. Deposit broking profits were affected by a generally stable market and negotiated commissions which were still working their way through the market.

The foreign exchange operations had been enhanced by the strength of Charles Fulton Asia, which ICH bought for HK$155m (£14m) in November 1986, and Yamane and Company's investment in broking a major currency, the dollar/yen, had been satisfactory and in line with expectations at this stage.

Mr Packshaw added that the financial futures division continued to improve. The financial and technical services businesses were for the group's longer-term benefit and were making steady progress.

Tax charges amounted to £692,000 (£640,000) in the UK and £996,000 (£578,000) overseas, after which earnings per share worked through at 10.9p (11.7p) and 10.4p (1.6p) fully diluted.

Attributable profit totalled an unchanged £5.3m and the declared interim is held at 3p.

● comment

ICH's figures bore a poor comparison with the previous year's and hardly lived up to the chairman's intimation of an "excellent" performance given half-way through the period. The pre-tax figure was only 11 per cent ahead in spite of a first full contribution from MKI, and after a sharply higher tax charge an dthe dilution from December's equity issue had taken their toll, the earnings per share looked distinctly ragged. Without a divisional breakdown it is unclear just where the profits or problems lie: MKI looks on the fact of it an attractive diversification but ICH's deposit broking business, still the mainstay of the group, must be having to compete for business at ferociously narrow margins. The second half is traditionally stronger than the first but will carry the burden of adverse movements in the dollar/sterling exchange rate and it would be optimistic to look much beyond £18m for the full year. With the shares down 1p at 208p—still only 18p above the flotation prices of November 1985 — the prospective p/e multiple is around 7, and the main attraction remains the prospective yield of 6.7 per cent.

TSW rises 63% after Exchequer Levy drops

TSW — Television South West Holdings reported interim pre-tax profits up 63.3 per cent to £1.8m, partly due to the full impact of the reduction in the Exchequer Levy.

Turnover rose by 12.9 per cent from £14.66m to £16.56m. Advertising revenue rose from £14.1m to £16m and programme sales from £250,000 to £304,000 while other revenue fell from £300,000 to £247,000. The Exchequer Levy fell from £921,000 to £867,000.

Directors said the company had completed a new drama production for Channel 4, more of the company's programmes were being networked and the new arrangements for international marketing of the company's programmes were beginning to produce encouraging results.

After higher tax of £785,000 (£439,000) earnings per share stood at 5.1p (3.09p). Directors declared an interim dividend of 0.83p (0.64p)—last year's final was 1.41p.

Virgin buys Oxford Street record store

MR RICHARD BRANSON'S Virgin Group has added another record store in London's Oxford Street with the purchase of Smithers and Leigh from insolvency specialists Leonard Curtis and Company.

Smithers and Leigh, trading at Marble Arch since September 1985, went into receivership in February. Virgin paid a "very substantial" but undisclosed sum for the 14,300 sq ft shop.

Mr Keith Goodman, partner in Leonard Curtis, said that Virgin saw "the potential of this important site with its unique trading pattern."

Cambrian & General assets rise

Cambrian & General Securities, the investment trust formerly managed by Mr Ivan Boesky, yesterday reported increases in net asset values of its shares, which have been suspended since last November.

At February 27 1987 ordinary shares had a net asset value of 173p, against 156p on December 31 1986, and capital shares 297p (254). The figures do not take account of contingent liabilities arising from legal claims relating to Mr Boesky's management.

Pearson subsidiary set to buy US drilling-bit maker

BY MARTIN DICKSON

Cameo, the US-based oil services subsidiary of Pearson, has signed a letter of intent to buy nearly all of Reed Tool, a leading American manufacturer of drilling bits, from Baker International.

The proposed purchase price has not been disclosed. Reed had sales in 1986 of about $76m (£47.5m) but has not been profitable recently because of the slump in the US oil industry.

Camco concentrates. at present on serving the production end of the oil industry and this acquisition will move it upstream into exploration.

Baker is having to dispose of Reed to satisfy US anti-trust objections to its proposed merger with Hughes Tool. Houston-based Reed is the third larges drilling-bit manufacturer in the US, while Hughes is the biggest. The transaction is subject to negotiation of a definitive agreement approved by the US Justice Department.

Camco is a 65.4 per cent-owned subsidiary of Pearson, which also owns the Financial Times. The proposed acquisition is the latest in a series of deals by Pearson to build up its oil interests at a time of low prices in the expectation of an eventual recovery.

Coloroll moves into carpet area with £8.5m deal

BY MIKE SMITH

Coloroll, the wallpaper and home fashion group, is moving into floor coverings. It is buying Wallbridge Holdings, a privately-owned manufacturer of tufted carpets, for £8.5m.

The acquisition is Coloroll's second this month. Two weeks ago the group announced it was paying $14.5m (£9.35m) for Wallco, a Florida-based manufacturer and distributor of wallcoverings.

Previously Coloroll has stayed out of carpet manufacturing because it felt floor coverings were too susceptible to economic cycles and involved tying up large amounts of money in stock.

However, Mr Eric Kilby, finance director, said yesterday that Wallbridge products moved quickly out of stocks. They would fit well into Coloroll's home fashion business.

Wallbridge made pre-tax profits of £1m on sales of about £18m in 1986. Net tangible assets as at December 31 were £3.18m.

The company's main activity is making and distributing tufted carpets. In this sector it claims 2.5 per cent of the UK market.

Some 80 per cent of the consideration for Wallbridge is to be paid by the issue of new Coloroll shares. The rest will be paid for in cash.

Mr Kilby said the acquisition did not represent a major push into floor coverings. It was more a way of rounding out the products which the company can offer.

Coloroll now had an annualised turnover of about £200m, Mr Kilby said. Wallbridge would provide about 10 per cent of this.

Coloroll also announced yesterday the formation of two new divisions—lighting and furniture—in response to "clear market opportunities." The upholstery furniture division would be incorporated into the home furnishing arm, based in Boston, Lincs. Lighting would be part of the ceramic arm, based in Stoke-on-Trent, Staffs.

Coloroll shares closed up ½p at 318p.

Norank doubles profit and sees further growth

Norank Systems reported doubled pre-tax profits for 1986 and with expansion planned for overseas markets and the present buoyant trading is looking to the future with confidence.

The USM-quoted merchandising and display systems manufacturer saw pre-tax profits of £808,000 (£404,000) on turnover up at £2.45 (£1.21m). Earnings per 5p share came out at 13.59p (7.8p) and the directors are proposing a final dividend of 2.5p making a total of 4p, against a forecast of 3p when it came to the market in December 1985.

Mr Bob Morton, chairman, said that the move to new premises would have an adverse effect on margins in the present first half. He added that a joint venture had been agreed with D. E. Gelles Associates of New York to make and sell the company's systems in the US which should have a significant impact on growth.

STRONG & FISHER'S acquisition of Silvester Litton, and its proposed acquisitions of W. D. Mark & Sons will not be referred to the Monopolies Commission.

COUNTRY and New Town Properties has paid FFr 31m (£3.25m) for a site in central Paris which it intends to transform into commercial office space. Total value after the two-year *transformation* will be about FFr 75m.

Antler has been informed by the J. Saville Gordon group that J. Saville Gordon (Commodities) holds 440,000 shares and that Mr J. D. Saville, a director of J. Saville Gordon (Commodities), personally owns 50,000 shares. In total this represents 8.35 per cent of the

SUMIT, development and venture capital company, has sold 220,000 shares in Hodgson Holdings, USM-quoted funeral directors, cutting its stake to 4.98 per cent.

J. ROTHSCHILD HOLDINGS *has bought 500,000 of its shares,* half at 154.75p and the rest at 155p, for cancellations, leaving issued share capital at 328.27m ordinary shares.

UK COMPANY NEWS

MARKETS ARE STRONG IN BOTH UK AND US

United Biscuits hits record £125m

BY CLAY HARRIS

United Biscuits lifted pre-tax profits by 23 per cent from £102.2m to a record £125.2m last year, on the strength of increased market shares and trading margins.

The biscuits, snack foods and restaurant group yesterday reported turnover of £1.93bn in the 53 weeks to January 3 against £1.91bn in the previous 52-week period.

Sir Hector Laing, chairman, foresees another strong performance in 1987. "We've had an absolutely cracking start to this year, better than we can remember," he said.

The shares added 1p to 278p.

UB consolidated its UK biscuit leadership, raising its share to 48.7 per cent of the shrinking branded market, and to 41.8 per cent of the growing own-label sector. The success of new biscuits, such as Hob-nobs, offset lower volumes from established McVitie's and Crawfords brands.

KP Foods set snack-food records, taking 55 per cent of the nuts market and strengthening the top position of Hula Hoops. In January of this year, 1,000 tons of Hula Hoops were sold in the UK.

The cookie also crumbled better in the US where trading margin improved from 4.7 per cent to 5.6 per cent. Manufacturing efficiencies enabled Keebler to contribute to this advance, despite lower prices in a competitive market. New brands helped it to raise market share to 16 per cent.

Salty snacks, such as Tato Skins and speciality foods such as olives, salad dressings and herbs and spices, also contributed to the US advance, which was 13 per cent in dollars and 12 per cent in sterling.

In continental Europe, the Westimex crips and snack foods company increased trading profit to £4.2m (£1.7m) on sales of £51.7m (£40m). UK frozen foods improved margins from a low level, with profits of £3.9m (£2.4m) on sales of £137.4m (£133.9m).

Stagnant restaurant profits, mainly from Pizzaland and Wimpy, reflected lower net proceeds from property sales, and poor trading in the first half because of fewer US visitors to the UK.

The company plans shortly to commission a research facility at High Wycombe which will work closely with its counterpart in Chicago to develop new snack food.

After tax of £42.5m (£31.1m) and unchanged minority interests of £100,000, attributable profit was up by 16 per cent to £82.7m (£71.1m). Earnings per share increased by 6 per cent to 20.3p (19.1p).

UB plans a final dividend of 6p (5.15p) to make a total of 9.5p (8p).

Included within an extraordinary charge of £6.8m (£14.3m) was a £4.9m surplus, net of costs, arising from UB's unsuccessful bid for Imperial.

This was more than offset, however, by a £6.9m tax charge relating to profits which had not been shown at the trading level since they were spent in underwriting the failed bid.

See Lex

UNITED BISCUITS RESULTS BY DIVISION

	Turnover 1986 £m	Turnover 1985 £m	Trading profit 1986 £m	Trading profit 1985 £m
Foods Europe	984.5	926.6	88.7	78.4
Restaurants	123.1	106.0	10.3	10.3
Foods US	778.0	823.5	43.8	39.1
Other cos.	107.5	106.8	3.9	3.5
Inter-co sales	60.6	55.7	—	—
Unallocated costs	—	—	8.7	8.6
Total	1,932.5	1,907.2	138.0	122.7

Second half boosts Rentokil to £31.3m

WITH OVER £4m of the increase coming in the second six months, taxable profits of Rentokil, timber preservation, pest control concern, came through at £31.27m for the 1986 year, compared with £26.04m previously, a 20 per cent rise.

Turnover of this East Grinstead-based company, which is a subsidiary of Sophus Berendsen of Denmark, expanded from £148.25m to £166.9m over the 12 months with the overseas companies showing a bigger improvement with £86.55m (£74.12m) against £80.35m (£74.14m) for the UK.

Profit contribution from the UK grew by 16.8 per cent to £18.6m (£15.93m), while from overseas the figure was £12.66m (£10.11m), a 25.2 per cent boost. The directors pointed out that at constant exchange rates, overseas profits would have been £11.66m.

After tax of £12.78m against £10.53m earnings per 10p share were given as 9.6p (7.96p) while the dividend is stepped up to 2.8p compared with 2.44p with a final payment of 1.775.

Minority interests account for £27,000 (£184,000) and after an extraordinary debit last time of £4.5m, the available balance was £18.46m (£10.82m)

● comment

Rentokil's shares have hovered between the devil and the deep blue sea for some time—dragged down by the MMC report into pest control but bolstered by the 55 per cent stake of Sophus Berendsen. Yesterday, not even profits ahead of brokers' forecasts could prevent a 3½p fall to 168p. In the current social climate, there is little chance that demand for hygiene services will decline and in any case, the group is fast expanding into Europe and the rest of the world. The property care division bounced back from a poor first quarter and the timber preserving business took £400,000 of rationalisation costs on the chin in an attempt to improve profitability this year. Mr Thompson also has £16m in cash on the balance sheet, which should give him plenty of scope to buy in extra growth and with the shares on projected profits of £36m and a prospective p/e of 14.5, those prepared to try to gamble on the outcome of the MMC report, due early next year, might find them attractive.

Lucy Kellaway on the revival of North Sea and General

Striking gold in the search for oil

ONE WOULD never have guessed that the pie-chart being exhibited around the City yesterday by the affable Australian entrepreneur depicted North Sea and General (NSG), one of the tiniest of the UK oil independents.

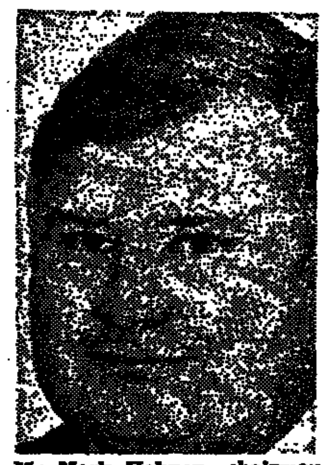
The chart described a diversified and cash-rich resources company, making half its profits from gold, about one-quarter from oil and the rest from interest on its cash pile.

The picture bore little resemblance to NSG as it was in October, when hard hit by the fall in the oil price it was losing money at the rate of £2m a year.

Indeed, since then the company has been transformed.

Yesterday saw the publication of the full details of a complicated transaction that will inject new assets into NSG, supply it with cash, and almost rid it of debt. Control will be passed to Apex, a small Australian holding group built up by the 36-year-old Mr Mark Hohnen, who was in London yesterday, enthusing over the deal.

NSG has been one of the last of the small independent companies to fix itself up with a larger company in order to ensure survival in a market increasingly ill-suited to the smaller independents. But while most of the others have either been taken over by larger oil companies or have somehow won time by boosting cash resources, few have diversified away from oil.



Mr Mark Hohnen, chairman designate of North Sea and General.

Under the terms of the deal, NSG has agreed to buy from Apex 40 per cent of Indian Ocean Resources, a young Australian gold-mining company, as well as a handful of Australian oil and coal interests. In return, Apex will inject £3.5m into the company, and will get 51 per cent of the shares, with the option to increase its stake over the next few years.

Shareholders seem pleased overall with the package. Since Apex declared its intention in October, NSG shares have been suspended at 23p. When trading began yesterday, the market judged the shares to be worth twice as much.

While much of the rise reflects the higher oil price, UK investors seem to welcome the package of unfamiliar Australian assets as they have enhanced the size and financial muscle of the company.

The NSG deal seems to resemble the partial takeover of troubled Charterhall last year by another youthful Australian, Mr Russell Goward.

However, according to Mr Hohnen, the two men have quite different plans for their UK vehicles. Under the leadership of Mr Goward, Charterhall companies many of which have nothing to do with oil. Meanwhile, Mr Hohnen insists that NSG has the primary aim of increasing its oil reserves. These, he says, will be added to by exploration, by corporate deals and by buying up oil in the ground.

However, he does not eschew the possibility of diversifying into non-oil businesses. Eventually NSG could resemble Apex, which Mr Hohnen has built up in two parts over the past 15 years—one of which deals in tourism and wines to provide the cash, while the resources companies are designed to generate the growth.

Union Discount

Shareholders of the Union Discount Company of London were told at the AGM that the year had got off to a reasonable start. It was pointed out that the fall in interest rates should have a good impact on earnings, at least in the short term.

Jones & Shipman profit shows growth to £2.3m

DESPITE a slight interim downturn, pre-tax profits of Jones & Shipman, Leicester-based high precision machine tool maker, emerged ahead from £2.12m to £2.31m for the 1986 year. And the dividend is boosted from 3.85p to 4.15p with a final payment of 3p.

Turnover increased to £21.05m, against £19.92m, from which operating costs took £18.96m (£17.84m) to leave a profit little changed at £2.09m (£2.08m). The pre-tax figure took account of a £99,000 (£40,000 loss) share of a related company's profits and interest receivable of £116,000 (£86,000).

After tax of £612,000, against £292,000, earnings per share were shown as 14.2p, compared with 15.3p.

The directors stated that the value of incoming orders was slightly above that of last year and given a continuation of the favourable international trading conditions, the outlook for the current year was satisfactory.

Public Works Loan Board rates

Effective March 18

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
1	—	—	9½	—	—	10⅛
Over 1 up to 2	9⅜	9⅜	9¼	10⅛	10⅛	9⅞
Over 2 up to 3	9¼	9¼	9¼	10⅛	10⅛	9⅞
Over 3 up to 4	9⅜	9⅜	9⅜	10⅛	10⅛	9⅞
Over 4 up to 5	9⅜	9⅜	9⅜	10⅛	10⅛	9⅞
Over 5 up to 6	9⅜	9⅜	9⅜	9⅞	9⅞	9⅞
Over 6 up to 7	9⅜	9⅜	9⅜	9⅞	9⅞	9⅞
Over 7 up to 8	9⅜	9⅜	9½	9⅞	9⅞	9⅞
Over 8 up to 9	9⅜	9⅜	9½	9⅞	9⅞	9⅞
Over 9 up to 10	9⅜	9⅜	9½	9⅞	9⅞	9⅞
Over 10 up to 15	9½	9½	9⅝	9⅞	9⅞	9⅞
Over 15 up to 25	9⅝	9⅝	9⅝	9⅞	9⅞	10
Over 25	9⅝	9⅝	9⅝	10	10	10

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Wedgwood chips in and lifts Waterford to I£23m

BY ALICE RAWSTHORN

THE Waterford Glass Group yesterday unveiled its first set of financial results since its takeover of the Wedgwood china group.

Pre-tax profits for 1986 rose by 26 per cent to I£23.27m (£21.35m), including a contribution of £2.3m from one month of Wedgwood.

Since the acquisition Waterford has begun to co-ordinate the international marketing of both Waterford and Wedgwood products.

It is now in the throes of reviewing Wedgwood's operations. Rationalising the production of both Wedgwood's goods and its established Aynsley china is one option; another is to dispose of some of Wedgwood's loss-making businesses, thereby reducing the borrowings incurred by the takeover.

"We have a magnificent name in Wedgwood," said Mr Paddy Hayes, chairman and chief executive. "And we are looking long and hard at the thing to decide how best to use it."

Waterford also announced yesterday that Mr Patrick Byrne, formerly head of the group's American operations, has become chief executive of Wedgwood.

The established Waterford crystal business experienced difficult trading in 1986, chiefly because of the decline in US tourism to Europe. Nonetheless both it and Aynsley succeeded in improving margins because of greater production efficiency.

Because of the disposal of the motor and retailing interests turnover for 1986 fell to £130.82m (£255.19m) yet trading profits rose to £22.78m (£21.63m).

Group operating margins doubled from 8.5 to 17.4 per cent. In the core crystal and china businesses margins improved from 16 to 18 per cent because of greater production efficiency.

Although the Wedgwood acquisition has left the company with borrowings of £67.3m the ADR issue in May eradicated previous borrowings and Waterford gleaned £485,000 from interest, compared with a debit of £3.15m.

Tax was reduced to £2.49m (£3.77m). The loss on the sale of the Smith Group motor business was expressed as an extraordinary item of £2.9m (£8.16m).

Earnings per share rose to 8.62p (6.73p) and the board proposes to pay a final dividend of 1.68p (1.4p), making a net total of 2.88p (2.4p) net.

Waterford's shares fell by 2½p to 125½.

● comment

The timing may have been precipitant, the price extravagant; yet there is a clear industrial logic to Waterford's acquisition of Wedgwood. The short term problem seems simple enough. Borrowings can be whittled away by a third by selling off unwanted portions of Wedgwood, or eradicated entirely if Waterford opts to dispose of all the unprofitable parts. The longer term looks distinctly more daunting. In Wedgwood the management team confronts many of the same problems — over stocking, lack lustre marketing, inefficient production and erratic exports — that greeted it at Waterford. It argues that having tackled them in the crystal industry, it can do so all over again in china. The omens for tourism are more favourable this year, but the US china market is still listless. Cunning though its hedging ploys may be, sooner or later Waterford will have to get to grips with the US dollar and the inclusion of Wedgwood will jolt taxation up from 10 to 25 per cent this year. On projected profits of I£48m, earnings per share should be static at just under 9p. Most analysts seem prepared to bide their time and wait to see what happens with Wedgwood. Investors should do likewise.

Securiguard Group

Securiguard Group has reported record sales across the whole range of its activities in the first three months of the year, so confirming the directors' confidence. The contribution made by the new businesses, in particular, encouraged optimism.

Yearlings total £1.25m

Yearling bonds totalling £1.25m at 9⅝ per cent, redeemable on March 23 1988, have been issued by the following local authorities: Northavon District Council £0.25m; Swansea (City of) £1m.

George Scholes advances to £2.8m

George H. Scholes, electrical engineer and manufacturer of Wylex electrical products, increased pre-tax profits from £2.45m to £2.79m for the six months ended December 31 1986, from turnover ahead from £14.14m to £15.4m.

After tax of £1.03m (£968,000) stated earnings were 13.7p, compared with 11.5p, while the interim dividend is, in effect, lifted to 4.5p (4p scrip adjusted)—last year's final was equivalent to 7.5p from taxable profits of £5.34m (£4.94m).

The directors stated that the second half of the year had started encouragingly and they anticipated the group would continue at an improved level of activity.

TOD rises to £1.02m

TOD, manufacturer of plastic and composite products for the defence and construction industries, increased its interim pre-tax profits from £615,000 to £1.02m. Turnover for the half year to end-December doubled from £5.04m to £10.42m.

After tax of £357,000 (£238,000) earnings amounted to 7.9p (5.4p) per 5p share. The interim dividend is being increased to 1.5p (1.2p) net. The company's shares are traded on the USM.

Countryside Props.

MR ALAN CHERRY, chairman of Countryside Properties, told shareholders at the AGM that the company's residential and commercial property development divisions were experiencing exceptional trading conditions with many new exciting opportunities arising.

New house sales were buoyant, with forward sale reservations at a record level. February this year had proved to be the best month ever, with reservations of new houses totalling £5.7m.

He said that the company's involvement in inner city and urban areas had been increasing

Manganese concert party

TWO shareholders in Manganese Bronze, the London taxi manufacturer in which shares have virtually doubled since December to the current 156p, yesterday declared that they were acting together — creating a total holding of 12.69 per cent.

The first is Edward Le Bas Limited, a privately owned industrial holding company in Ipswich which — together with its pension fund — holds 6.54 per cent

The second is an individual holding, belonging to Mr Mark Dixon

Castle Communications joins USM via placing

BY ALICE RAWSTHORN

Castle Communications, a producer and distributor of videos and records, is joining the Unlisted Securities Market in a placing of shares by the Industrial Finance and Investment Corporation.

Castle has existed as a company since the late 1960s but the business began in its present form in 1983 when the current managing director and finance director, Mr Terry Shand and Mr Cliff Dane, joined and acquired shareholdings.

Before his involvement with Castle, Mr Shand was a director of two companies which went into liquidation during his time on the board and three which went into liquidation after his resignation as a director.

Initially Castle was concerned with video distribution in Finland; it has since diversified into the manufacture and distribution of videos throughout Scandinavia and Britain, and into its own-label records, cassettes and compact discs.

In its last financial year to June 30 Castle produced pre-tax profits of £476,000 on turnover of £3.92m. The board anticipates profits of at least £720,000 in the current year, producing earnings per share of 15.7p and a prospective p/e of 12.7 on the placing price of 200p.

In the placing Castle will issue 875,000 shares or 26.6 per cent of its equity. Just over half of the £1.6m raised by the issue will be ploughed back into the company. Castle intends to expand its record and video catalogues and is assessing the prospects for diversification into cable and satellite television.

IN BRIEF

THEME HOLDINGS has acquired substantial freehold premises in Mayfair, London for £1.6m. The acquisition will be financed by existing cash resources and new bank facilities. The redevelopment of the site will incorporate a range of leisure facilities.

HOGG ROBINSON has acquired six estate agency branches of Becketts, located in the Middlesex and south-west Hertfordshire areas. This brings the company's network of estate agents up to 59. The total maximum consideration is £1.59m, which will be satisfied on completion by £523,000 in cash from the existing resources of the company, and £1.07m in redeemable preference shares in the company. Net assets acquired amount to £52,000.

HUGHES Food Group has bought Danepak's 1.5 acre food processing facility in Selby, Yorkshire for an undisclosed sum. It expects that it will create 200 jobs. It has also paid £100,000 cash for a 51 per cent stake in Idwal Fisher the par-fry potato chip manufacturer in Bradford.

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UK COMPANY NEWS

DRG surges to a record £41m

A SHARPLY higher contribution from its stationery activities together with a cut in interest charges enabled DRG to increase its 1986 profits by £10m to a record £41.2m at the pre-tax level.

The current year began with strong order books. Sales for the first two months maintained their momentum and the directors said yesterday that another year of good progress was ahead.

Turnover for 1986 pushed ahead from £625m to £680.2m and at the operating level, profits showed an improvement of 23.7 per cent at £48.6m—apart from its stationery activities DRG has interests in packaging and specialised engineering. Its brand names include Sellotape and Basildon Bond.

The UK operations increased their contribution to operating profits by £7.3m. The overseas side chipped in £2m more.

A divisional breakdown of operating profits shows stationery £28m (£21.4m), packaging £7.9m (£8.4m), office and print supplies £7.2m (£6.5m) and engineering £5.3m (£4.9m).

Pre-tax figures were struck after taking account of an exceptional provision of £3.9m, down from last year's £2.7m, a same-again £0.6m profits contribution from the associates and interest charges which fell from £6m to £4.1m.

Tax took £10.6m (£7.7m) and minorities £0.6m (£0.9m). Earnings worked through 3.7p ahead at 28.6p and shareholders are to receive a 1.1p lift in their dividend to 9.35p net via a final of 5.7p.

There were also extraordinary credits of £0.5m (£1.6m).

The results for the year were in line with City expectations.

The company also announced yesterday the appointment of two new non-executive directors, Mr John Maltby, 58, who has been chairman of Burmah Oil since 1983, and Mr Marc Henrion, 60, who recently retired from the presidency of the worldwide wine operations of Seagrams.

● comment

Several years of rationalisation and capital expenditure are starting to pay off at DRG, the paper and packaging group with famous brand names like Basildon Bond and Sellotape. In recent years, the group has been attempting to diversify into plastics and office and print supplies but stationery proved last year's star performer thanks to the cards subsidiary J. Arthur Dixon and Transcript, the carbonless copy paper business. Flexible packaging is proving to be a continued headache but the division has high hopes of the microwavable can currently being marketed in the US. It seems clear that the management is going to stick to its strategy; capital expenditure is likely to rise to £40m this year, £50m is available for spending on bolt-on acquisitions. Given that further rationalisation benefits are in the pipeline, £50m looks distinctly reachable this year indicating that the shares at 423p are on an undemanding p/e of 12.

Watmoughs tops £3m and looks for further growth

DESPITE sharply higher depreciation and interest charges, Watmoughs (Holdings), colour printer, publisher and process engraver, was able to lift its profits for 1986 from £2.32m to £3.12m pre-tax.

The directors said yesterday that turnover for the first weeks of 1987 was considerably ahead of the previous year with all four specialist sectors well ahead.

They were encouraged by a high level of demand for services of the company's specialist printing divisions, and said they believed that 1987 would show considerable growth in turnover and profit.

For 1986, turnover improved from £30.8m to £41.12m. Depreciation increased by £610,000 to £2.57m and, following heavy investment in new capacity during the years, interest charges rose by £606,000 to £813,000.

Tax of £561,000 (£365,000) left earnings 4.48p higher at 22.68p per 25p share. A final dividend of 5.8p raises the total by 1.3p to 7.8p net. A scrip issue in a one-for-five basis is also proposed.

The directors said 1986 had been an important year leading to re-direction and expansion of the full range of activities.

Substantial capital investment in the most advanced gravure and web offset technology during the past two years was beginning to generate considerable benefit in addition to creating new opportunities for profitable expansion.

They added that the contract for printing You magazine had been successfully integrated into the group and increased gravure capacity would enable the company to compete strongly and effectively for national newspaper supplements, pre-prints and mail-order catalogues and brochures.

Security printing continued to increase its contribution to group profits.

Catalyst Comms

Catalyst Communications is already quoted on the Third Market and is not making an application to trade there as incorrectly stated in yesterday's FT.

ROCKWARE GROUP, glass bottle manufacturer, reported pre-tax pofits of £2m for the year to December 28 1986, meeting its frecasto made at the time f its £24.2m rights issue in January. Last year, the company reported profits of £61,000. Group turnover moved ahead from £121m to £122m. The directors said that the company's move into profit, the

Lilley sells quarries to Tarmac for £7m

By Nikki Tait

F. J. C. LILLEY, the troubled Glasgow-based construction company which brought in new management after revealing heavy losses at the end of last year, yesterday announced that it is selling its two quarry companies to Tarmac, Britain's largest building materials and construction group, for £7m in cash.

The disposal was foreshadowed in January when Lilley said that five of its plant-hire, manufacturing and supply businesses could be up for sale, in an effort to raise £18m. Seymour Plant was sold to Hewden-Stuart Plant for £8.5m last month, and negotiations on the other two businesses—Charcon Tunnels and Wilson Pipe Fittings—are continuing.

The disposals are designed to reduce borrowings and support the on-going operations.

The two companies involved in yesterday's sale are Morrinton Quarries and The Scottish Granite Company, which together operate three quarries in the Dumfries and Galloway region.

Pre-tax profits of the two companies totalled £4.6m in 1986-87, and the £6m profit on the sale will be treated as an extraordinary item in Lilley's accounts.

Cala rises to £1.03m

Cala, Edinburgh-based house-builder and property developer, increased its interim pre-tax profits by £189,000 but said yesterday that the modest rise reflected the fact that over two-thirds of projected turnover for the full year would arise in the second half.

For the first six months to December 31 turnover reached £13.79m (£9.79m) and pre-tax profits £1.03m (£843,000).

Earnings amounted to 2.63p (2.52p) and the interim dividend is 0.7p (0.6p adjusted for the share sub-division).

Trading throughout the company continued to be healthy, except for Aberdeen where the position had worsened. The directors said all indications pointed to another year of progress.

Sirdar seeks further expansion despite sharp profits setback

Sirdar, currently moving away from being totally dependent on hand knitting products, suffered a sharp profits setback during the six months to December. At the pre-tax level they dropped from a restated £5.71m to £3.79m.

Mrs Jean Tyrrell, the chairman, noted last autumn that sales had started to return to more normal levels following a very difficult period of trading.

She said yesterday, however, that the recovery was not as marked as had been hoped and added that problems were compounded by over-stocking in the retail trade and a resulting lack of confidence.

Turnover for the opening half year moved ahead to £23.87m (£20.44m).

Since the summer of 1986 Sirdar has acquired Eversure Textiles, a maker of ready-made curtains, and Burmatex, a manufacturer of carpet tiles.

Mr Tyrrell said both companies were trading well and were poised to take advantage of future growth and their respective sectors.

Neither company had been in the group long enough to make a major impact on the interim figures but they were expected to make a more significant contribution in the future.

Having successfully integrated the two companies Sirdar will continue to look for further opportunities to expand.

Referring to the hand knitting side the chairman said she was confident the industry would recover, although it was likely to be next autumn before a significant improvement was seen.

Interest charges for the half year were reduced to £135,000 (£275,000) and tax took £750,000 less at £1.4m.

Earnings declined by 2.65p to 4.77p but the interim dividend is being maintained at 1.65p net per 25p share. A final of 3.5p was paid for the 1985-86 year from taxable profits of £10.26m.

● comment

Sirdar, a Rolls-Royce among textile companies, has hit a brick wall. The drop in pre-tax profits reflects poor demand, overstocking by retailers, more sales of own brand knitting yarns with smaller margins, and increased competition. These have hit not only UK sales but also overseas, especially Germany. The downturn Sirdar could do little about, but its reaction of diversifying into other areas besides hand knitted yarns has come too late. Both Eversure Textiles and Burmatex will be good earners for Sirdar this year but will not fully compensate for a disappointing performance in knitting yarns. Pre-tax profits of about £8m are expected for the year to June 1987 giving a prospective p/e of about 13—above average for the sector. This is justified given that Sirdar remains a well managed company with a good brand name and good manufacturing facilities. An upturn in its core market is not likely in the next six months but the prospects for recovery in the latter half of 1987 look good.

Hugh Mackay profit doubled to £1m

PRE-TAX profits at Hugh Mackay, Durham-based carpet manufacturer, almost doubled in the year to December 31 1986, and the final dividend is raised from 3.2p to 4p for an increased total of 5.5p compared with 4.6p.

Profits came out at £1.02m against £521,000 on turnover up from £15.3m to £19.2m. Trading profit increased fium £474,000 to £971,000, and income from investments was little changed at £48,000 (£47,000).

The company's forecast for 1987 indicates an improvement in sales volumes and margins Its non-woven product volume will increase as the company expands into export markets. Product development will continue to enable expansion into additional sectors.

Commenting on the year's results, the directors said an improved performance was achieved in the second half, although the ratio to the first half was not as great as in recent years.

The company had made a strong start to 1986, although volumes were still 8 per cent higher in the second half with better margins.

Tax for the year was considerably higher at £353,000 compared with £137,000. Stated earnings per share were 13.29p (7.78p), and net asset value per share was up from 105.4p to 112.4p.

Belgrave to take over Brighton hotel for £3m

BY TERRY POVEY

Belgrave Holdings is to spend £3m acquiring the Royal Albion, a four star hotel on the seafront at Brighton once renowned for being a venue for night-time trysts between a certain Prince of Wales and his mistresses.

Today, the Royal Albion is better known as a conference centre.

Mr Anant Rabheru, chief executive, said Belgrave intended to operate the hotel itself rather than lease it out—which has been the company's policy with all its hotels to date.

Last week Belgrave sold all its four London hotels for £10.6m.

According to Mr Rabheru one of the attractions of the 115-room Royal Albion is that it already has planning permission for a fifth floor and the conversion of part of the hotel into a casino.

COMMODITIES AND AGRICULTURE

US coal exporters face price cuts

BY GERARD McLOSKEY

US COKING coal exporters were beginning to gather in Japan last week bracing themselves for further cuts in export prices to the Japanese steel mills. The mills have already lopped off $5 a tonne and more in the fob price settlements for supplies from South Africa, Australia and Canada. Similar cuts have been levied by buyers in one of the few expanding steel-producing nations, Brazil, and the European steel industry is sharpening its negotiating knives to make equally savage cuts.

Coking coal represents the single biggest raw material cost faced by most mills.

What coking coal settlements have taken place in Japan so far have represented the relatively easy business, even when BHP's Utah, Australia's major producer, was forced to accept a reduction of just under $9 to US$43.75 for its prime Goonyella brand. Smaller, $5 price cuts have brought Westar and Fording coals from British Columbia down to $44. Although these have been accompanied by stinging 25 per cent volume cuts, bringing deliveries, in some cases to less than 50 per cent of long-term contract levels, the contract talks appear to have passed relatively smoothly.

But extremely difficult negotiations lie ahead for supplies from the US and some high-priced British Columbian mines. The main US supplier is the Pittson company. While South African, Australian and, to a lesser extent, Canadian mines have benefited from a fall in their currencies against the US dollar—all coking coal export contracts are denominated in US dollars—Pittson and the other US suppliers have shared none of this latitude. Pittson's price has fallen every year since 1983, when it stood at $60 a long ton ($59 a tonne) to just over $53 at present.

With mounting pressure from the US for Japan to close the trade deficit between the two nations the talks are likely to run anything but smoothly. Japan's Ministry for International Trade and Industry (MITI) has asked the mills to guarantee a 10m tonne minimum purchase from the US—about one-seventh of last year's total imports. But the financially stricken mills are not under MITI's command: their response was to ask for more soft and weak coking coal from the US—qualities more cheaply available elsewhere.

But if the negotiations with US suppliers are difficult those with two north east British Columbian mines, Quintette and Bullmoose, will be well nigh impossible. These two mines have been carried by the mills since their opening four years ago with inflated price levels—currently C$93.50 (US$70.20) for Quintette—and guaranteed tonnage uptake.

Now the mills are signalling that all this must come to an end and are calling for a C$40 a tonne price cut to bring all Canadian coals into line. In January Line Creek, like Quintette and Bullmoose one of the "new project" mines built at the start of the decade with all their coals destined for the Japanese market, was forced to take a US$12.85 a tonne price cut to bring it in line with the US$44 a tonne accepted by the main stream Canadian exporters.

At such price levels no one believes that Quintette in particular can continue in operation and its demise will be greeted warmly by its competitors—most especially those in Canada.

The basic problem facing the whole industry is one of over-supply, acute in Japan but common to the industry the world over. The new project mines were built to provide Japanese blast furnaces with an additional 20m tonnes a year to help fuel a predicted expansion in steel production from 105m tonnes to 140m tonnes annually. It would have been bad enough had no expansion taken place but what has eventuated has been a steady falling away of steel output to 98m tonnes last year (according to the International Iron and Steel Institute) with the mills now taking about 90m tonnes for 1987-8.

Worse is likely to come. Last month Manfred Raschke of the Cambridge, Massachusetts, analysts Dun and Bradstreet, predicted a fall away to 85m tonnes in the early 1990s and 80m tonnes in the late 1990s. Crucially the sector of production which would suffer most would be the blast furnaces—it is the blast furnaces that consume coking coal with iron ore to make pig iron, which is then refined into steel. The result will be a collapse in coking coal imports from 69.7m tonnes last year to just 45m tonnes, Mr Raschke believes.

As if on cue, Nippon Steel, the free world's largest steel maker, also announced last month that it was closing five of its 13 blast furnaces, shedding 19,000 jobs.

For the coking coal export mines there is some growth in demand elsewhere in Asia with vigorous expansion in South Korea and Taiwan. But not enough to make up for the Japanese retrenchment. In Europe, too, steel production is expected to thrink this year with few predicting any significant recovery to bring a gleam back to the coal salesman's eyes.

JAPANESE COKING COAL IMPORTS

	Imports (million tonnes)	Price (yen/tonne)	Pig iron production (million tonnes)
1986*	69.7	9,706	74.6
1985*	70.1	14,287	80.8
1984*	69.3	14,973	80.4
1983	57.1	15,479	75.2
1982	57.2	18,562	74.5
1981	61.7	16,500	80.4
1980	60.5	14,674	84.9
1979	53.1	14,001	85.9
1978	48.5	12,067	79.6
1977	53.2	15,371	82.7
1976	56.8	17,329	87.7
1975	58.1	16,777	85.7

* Calendar years—earlier figures for financial years.
Sources: Japanese Iron and Steel Federation and International Iron and Steel Institute

North Yemen prepares to join the newly rich oil states

BY ANGELA DIXON

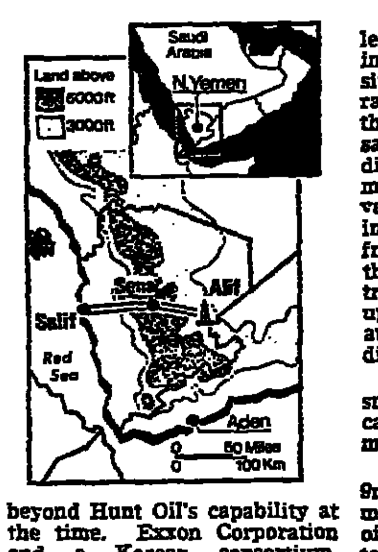
NORTH YEMEN (the Yemen Arab Republic) will shortly join the ranks of the newly-rich oil states. Early next year, oil from its first field, the Alif field, will flow at the rate of 100,000 barrels a day. Sana'a's Oil Minister, Ahmed al Mahni, announced recently that the new field will have a capacity of 400,000 b/d by 1990. This ranks it as one of the larger fields in the world. Current estimates put reserves at 500m barrels in the Alif field alone.

The oil was discovered by Yemen Hunt Oil Company, a wholly-owned subsidiary of Hunt Oil Company of Texas, an independent whose majority owners are related to the Bunker Hunts, though belonging to a different branch of the family.

Hunt Oil negotiated a production-sharing agreement with the North Yemen Government and proceeded to shoot a seismic programme in an area where no-one else suspected there might be oil. Conventional geological wisdom held that the formations in this mountainous country were too fragmented for large quantities of oil to be discovered.

As a result of Hunt's discovery which is east of the mountain chain, geologists are reassessing the whole region including the Red Sea basin.

In July 1984, the first well was tested at several zones. Out of 15 wildcat wells seven had hydrocarbon deposits. Yemen Hunt are now drilling their 54th well. The crude is likely to be a good seller, as it is of very high quality, at 40 deg API gravity.



Financing the venture was beyond Hunt Oil's capability at the time. Exxon Corporation and a Korean consortium, Yukong, farmed in to the concession, and Exxon now owns 49 per cent of Yemen Hunt.

In July last year, the Government of the Yemen Arab Republic raised a $200m loan to finance its oil imports. The loan, arranged by Saudi-based National Commercial Bank, was for the Yemen Oil and Minerals Corporation (Yominco), with a five-year maturity, and a margin of 1½ over Libor (the London inter-bank offered rate)—at the time 6½ per cent.

A pipeline is currently being built to take the oil to Salif on the Red Sea coast, 240 km away. It is a 24-26 inch line. Its construction was a considerable engineering feat, as it starts at 3,000 ft, rises to 6,000 ft and drops to sea-level, all in rugged country with virtually no modern communications.

Hunt oilmen discount travellers' tales of oil workers carrying guns when they go out on site. "The Government is rapidly spreading its authority through the remote areas," said one. Nevertheless, they did admit that sometimes tribesmen commandeered company vehicles, though these were invariably returned on request from the Government. It seems that the last of the independent tribesmen will be prevailed upon to submit to central authority as a result of oil discoveries.

Yemen Hunt have built a small refinery with a 10,000 b/d capacity to supply the domestic market with gasoline and diesel.

North Yemen has just over 9m people. Many Yemenis have migrated to other parts of the oil-rich Gulf, and the remittances which they have sent home contributed greatly to the economy during the seventies and early eighties. The country also received generous grants from neighbouring Saudi Arabia, while the ruler of Abu Dhabi, Shaikh Zayed, has contributed funds for several projects, notably the recently-opened Marib dam. The dam is a successor to one which existed thousands of years ago.

North Yemen's history stretches back to the Queen of Sheba and beyond. In the ancient world it grew rich on the demand for frankincense which grows wild on its slopes. Now, with plentiful supplies of high-grade crude to sell, North Yemen may find itself on the well-trodden path to development beaten out by other countries of the Arabian peninsula.

UK milk quota values soar

By Our Commodities Staff

DAIRY FARMS in he UK are worth considerably more than they were a year ago because of the soaring value of their milk quotas, according to a leading cattle auctioneer and quota transfer specialist.

Bruton Knowles of Gloucestershire says an average 200-acre dairy farm has appreciated by at least £90,000 in the past 12 months in spite of tumbling agricultural land prices.

The value of the 660,000-litre milk quota for such a farm, carrying 120 British Friesians, has probably doubled over the year to £200,000, says the firm. The rise follows an increase in the demand for quotas from milk producers trying to beat EEC cuts.

The farm could have been bought a year ago for £400,000 and is worth £490,000 today, even though land prices have continued to slide.

Thus dairy farmers who have over-borrowed are in a better position to reorganise their affairs than farmers in other sectors, says Bruton Knowles.

Violence hits Surinam alumina sales

ALUMINA EXPORTS by the Surinam Aluminium Company (Suralco) dropped by 75 per cent in February, after its operations were shut down by worker violence and guerrilla sabotage, according to the official Surinam News Agency, reports Reuter from Paramaribo.

Exports of alumina — processed bauxite for smelting into aluminium — dropped to 23,869 tonnes from 92,852 tonnes in January. Aluminium exports decreased by 9 per cent to 1,511 tonnes.

Suralco's alumina refinery at Paranam, 18 miles south of the capital, was closed on February 2 after workers destroyed plant and computer equipment in a protest over lay-offs at the company's nearby aluminium smelter.

The smelter itself had been shut down on January 26 after anti-government guerrillas dynamited two electricity towers which transmit power to the plant from the Afobaka Dam.

The alumina refinery, owned jointly by Suralco and Billiton, a Royal Dutch Shell subsidiary, was reopened on March 9. But the smelter remains closed, as do the Suralco mines at Moengo, 60 miles east of Pararamanibo, which were closed down because of guerrilla action last November.

Palestinian fruit hits port snag

BY ANDREW WHITLEY IN TEL AVIV

ISRAEL is urging Jordan and Egypt to allow the export through their ports of Palestinian agricultural produce from the occupied territories.

Gazan citrus farmers, complaining about the difficulties they currently face in selling their oranges should, for example, be able to use the nearby Egyptian facilities at Port Said, a senior Defence Ministry official said yesterday.

Mr Shmuel Goren, head of the Israeli civil administration for Gaza and the West Bank, said Israel was ready to help promote this export route by building new storage and freezer facilities in the territories, and by cutting high border crossing tolls.

The new proposal, unlikely to be greeted enthusiastically by either Jordan or Egypt, is being launched in response to deadlocked negotiations over the direct export of Arab produce through Israeli ports.

Both the European Community and the US Government have taken the side of Palestinian farmers on this issue, which has encountered stiff opposition from the two established Israeli agricultural export organisations—the Citrus Marketing Board, and Agrexco.

Backed by the US State Department, a co-operative in the Gaza Strip is challenging the system for the second time in three months, by applying to export a small volume of tomatoes directly to Norway, by-passing the two Israeli state-run bodies. An earlier application, for a much larger quantity, was turned down in December.

In what is being treated by all sides as a crucial test case, Mr Goren said that no decision has been taken yet on granting an export licence to the Deir Al-Balaa co-operative. But the expectation is that iat will once again be refused.

The Israeli official said the problem was a legal and commercial one, into which politics did not enter. "Agrexco has the law on its side, and they are fighting very strongly," he said.

France attacks Canadian fish ban

FRANCE PROTESTED to Canada yesterday over its decision to declare its ports off-limits to French fishing vessels and ban further fishing by France off Newfoundland, reports Reuter from Paris.

A Foreign Ministry statement described Tuesday's decision as "unjustified and contrary to international law and commitments made by Canada," and called on the Ottawa authorities to re-examine their position.

Accusing the French of over-fishing, Canada yesterday said that any French fishermen caught in the Burgeo Bank area, off the south coast of Newfoundland, would be arrested.

"The French Government strongly protests against the closing of Canadian ports to French fishing vessels and against the fishing ban decided by Canada on the Burgeo Bank," the Ministry statement added.

The Foreign Ministry said the measure, the latest episode in the long-running fishing dispute, would have a negative effect on fishing negotiations currently held between Ottawa and Paris.

Canada says the French have exceeded their 6,400-tonne quota of cod allowed in the area.

In January, Canada and France concluded an interim fishing accord, opposed by fishermen in both countries, allowing France to increase its cod quota by about 15,000 tonnes during 1987.

Under this accord, Canada and France also agreed to refer differences over a maritime boundary zone near the French islands of St Pierre and Miquelon to international arbitration.

Nymex names chairman

MR WILLIAM M. BRADT has been elected chairman of the New York Mercantile Exchange (Nymex).

He came out on top in a closely run race with Mr Stanley R. Meierfield, vice president of Geldermann and vice chairman of Nymex since 1984.

Mr Bradt succeeds Mr Michel D. Marks, who announced earlier this year that he would not be seeking re-election.

Mr Zolten Guttman has been elected vice chairman of the exchange.

LONDON MARKETS

COFFEE prices fell again on the London futures market yesterday as dealers reported "general disenchantment" among trade operators and speculators. A £16.50 decline took the May position down to £1,264.50 a tonne. Although the price dipped below this level in the immediate aftermath of the failure two weeks ago of International Coffee Organisation quota talks, second position futures had not actually closed at such a low level for five and a half years. During early dealings yesterday May coffee sank to £1,255 a tonne before meeting significant support. Cocoa prices also came under further pressure, in spite of the mildly encouraging news from the International Cocoa Organisation meeting, where producer delegates were reported to have accepted the principle of a compromise proposal on buffer stock rules. On the market trade hedging against renewed West African producer sales helped to push the May quotation down £15 to £1,293.50 a tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	894-6	+1	—
3 months	789-90	−2.25	796/789

Official closing (am): Cash 831-2 (825-7), three months 794-4.5 (793-3.5), settlement 832 (827). Final Kerb close: 789-9.5. Turnover: 15,400 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or −	High/Low
Cash	906.5-7.5	+0.5	915
3 months	888.5-90.5	−4.75	897/889

Official closing (am): Cash 914-5 (909-10), three months 894.5-5 (896.5-7), settlement 915 (910). Final Kerb close: 892-2.5.

Standard			
Cash	849-50	−0.5	849.5/848
3 months	864-6	—	—

Official closing (am): Cash 849.5-50 (850-50.5), three months 863-5 (865-8), settlement 850 (850.5). US Producer prices 66.50-70 cents a pound. Total Turnover: 31,450 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	305-6	−3	306
3 months	298.75-9	−1.88	300/298.5

Official closing (am): Cash 305.5-6 (309.5-10), three months 299-9.5 (300.5-1), settlement 306 (310). Final Kerb close: 299-9.5. Turnover: 6,050 tonnes. US Spot: 24-27 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	2315-25	−29.5	2346
3 months	2345-55	−12.5	2370/2350

Official closing (am): Cash 2,340-5 (2,365-20), three months 2,359-60 (2,355-60), settlement 2,345 (2,370). Final Kerb close: 2,350-5. Turnover: 876 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	451-2	−5	452
3 months	448-9	−4.5	451/449

Official closing (am): Cash 451.5-2 (458.25-8.75), three months 449.5-50 (453.75-4), settlement 452 (458.75). Final Kerb close: 449-50. Turnover: 6,200 tonnes. US Prime Western: 37.50-44 cents a pound.

TIN

KUALA LUMPUR TIN MARKET—Close: 16.83 (16.64) ringgit per kg. Up 0.19. 1400-1420.

GOLD

Gold fell $½ to $404¼-404¾ on the London bullion market yesterday. The metal opened at $408¼-408¾ and was fixed at $406.40 in the morning and $404.35 in the afternoon. Gold touched a peak of $408¾-407¼ and a low of $403¾-403¾. Trading was quiet, with gold showing no signs of moving outside its recent trading range around $405.

GOLD BULLION (fine ounce)	Mar. 18	
Close	$404¼-404¾	(£251¼-251¾)
Opening	$408¼-408¾	(£253-253½)
M'n'g fix	$406.40	(£253.180)
Aft'n'n fix	$404.35	(£251.430)

GOLD AND PLATINUM COINS

Am Eagle	$416¼-421½	(£259¼-262½)
Mapleleaf	$417¾-420¾	(£260¼-262)
Kr'g'rnd	$407¾-410¼	(£253¾-255¼)
½ Krug	$213¼-214¼	(£132¾-133¼)
¼ Krug	$107¼-108¼	(£66¾-67¼)
Angel	$416-418	(£258¾-260¼)
1/10 Angel	$40¼-45¼	(£25-28¼)
New Sov	$97-98	(£60½-61)
Old Sov	$97½-99	(£60½-61½)
$ 20 Eagle	$490-540	(£305-336¼)
Noble Plat	$539-547	(£335½-340½)

SILVER

Silver was fixed 3.35p an ounce lower for spot delivery in the London bullion market yesterday at 347.30p. US cent equivalents of the fixing levels were: spot 557.6c, down 1.55c; three-month 566.9c, down 1.45c; six-month 575.65c, down 1.5c; and 12-month 593.4c, down 1.6c. The metal opened at 347½-348½p (558-560c) and closed at 345½-347½p (556-558c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	347.30p	−3.35	346p	−4.5
3 months	355.85p	−3.45	355p	−4.5
6 months	363.70p	−3.85	—	—
12 months	379.15p	−4.35	—	—

LME—Turnover: 8 (nil) lots of 10,000 ounces.

Final kerb: three months 354-6p.

SOYABEAN MEAL

	Y'sterd'ys close £ per tonne	+ or −	Business done
April	120.0-127.8	−4.80	—
June	113.5-114.0	−0.50	113.5
August	110.0-110.2	+0.05	110.2
October	110.5-118.0	−0.45	—
Dec	112.2-112.5	−0.25	—
Feb	115.0-117.5	—	—
April	118.5-118.0	+0.05	—

Sales: 100 (267) lots of 20 tonnes.

INDICES

REUTERS

Mar. 18	Mar. 17	M'th ago	Year ago
1522.9	1527.4	1594.6	1806.8

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Mar. 17	Mar. 16	M'th ago	Year ago
Spot	113.56	113.23	—	131.62
Fut	113.39	112.88	—	133.11

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Mar. 18 1987	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1355/375	+10	$1330/410
Copper			
Cash Grade A	£907	+0.5	£915.75
3 mths	£890	−4.75	£921.75
Gold Troy oz	$404.5	−0.5	$390.25
Lead Cash	£306.5	−3	£303.25
3 mths	£298.87	−1.88	£301.25
Nickel			
Free Mkt	170/180c	−3	175/185c
Palladium oz	$124.70	+0.10	$118.10
Platinum oz	$523.50	+0.5	$500.50
Quicksilver†	$205/215		$173/180
Silver troy oz	347.30p	−3.35	352.05p
3 mths	355.85p	−3.45	361.00p
Tin			
free Mkt	£4290/295	+5	£4445/470
Tungsten	$47.08		$44.51
Wolfram 22.04lb	$46/50		$39/45
Zinc	£451.5	−5	£489
3 mths	£448.5	−4.5	£483.75
producers	$770/790		$770/790
OILS			
Coconut (Phil)	$340x		$420
Palm Malayan	$330y		$337.5
Seeds			
Copra (Phil)	$230v		$280
Soyabean (U.S.)	$136		$138
GRAINS			
Barley Fut. May	£113.60	−0.15	£116.90
Maize	£142.50		£143.50
Wheat Fut. May	£118.55	+0.25	£118.60
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£1293.5	−15	£1395.5
Coffee Ft. May	£1,264.5	−16.5	£1455.5
Cotton A Ind.*	63.25c	−0.05	66.05c
Gas Oil May	$147.5	−3.25	$140.5
Rubber (kilo)	61p	−0.75	63.5p
Sugar (raw)	$194x	+2.5	$184
Wooltops 64s	485p kilo		478p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. v April. z March-April. x April-May. y May.

COFFEE

During another quiet day the market lacked any fresh technical or fundamental news, reports Drexel Burnham Lambert. In light volume the day's range was narrow with reluctance on both sides of the market to test new ground. Nearby differentials remain tight and for the time being prevents any further major sell-off. However, with all eyes on Brazil's coffee council meeting today Robusta origins that have so far remained above the market will be looking to see if Brazil's marketing policies will depress levels further.

COFFEE	Yesterday close	+ or −	Business Done
Mar	1240-1250	−20.0	1250-1235
May	1264-1265	−16.5	1275-1255
July	1273-1275	−19.5	1285-1267
Sept	1280-1290	−28.5	1303-1285
Nov	1315-1325	−25.0	1328-1310
Jan	1335-1345	−32.5	1350-1345
Mar	1370-1375	−27.5	1370-1360

Sales: 3,886 (3,923) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for March 17: Comp daily 1979 99.52 (99.52); 15-day average 104.86 (108.04).

COCOA

After trading a little easier during the morning futures lost further ground later in the day. With the ICCO talks continuing in London the physical market was largely neglected and only light second-hand business was noted, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or −	Business done
March	1271-1274	−12.5	1285-1271
May	1293-1294	−15.0	1319-1292
July	1322-1323	−14.5	1337-1322
Sept	1341-1342	−15.0	1354-1341
Dec	1364-1368	−14.0	1381-1384
March	1387-1388	−16.0	1406-1388
May	1409-1411	−13.5	1425-1411

Sales: 3,044 (3,591) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for March 18: 1,590.77 (1,597.84); 10-day average for March 19: 1,591.28 (1,598.07).

POTATOES

Current crops traded lower through most of the day, but late buying in limited volume saw day's falls erased and May, in particular, looking well suported, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Apr	156.00	156.50	156.50-155.00
May	187.00	186.10	187.50-182.80
Nov	96.00	97.00	98.00-95.00
Feb	107.50	108.00	—
Apr	128.20	128.80	128.50-128.00

Sales: 1,048 (1,426) lots of 40 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $194.00 (£121.00), up $2.50 (up £1.00) a tonne for April-May delivery. White sugar $208.50, up 50c.

No. 6 Contract	Y'sterd'ys close	Previous close	Business done
	$ per tonne		
May	171.8-171.4	178.6-178.8	177.2-178.8
Aug	174.4-174.6	178.0-179.8	178.8-174.2
Oct	177.0-177.2	181.6-182.6	182.2-178.4
Dec	188.6-181.6	184.6-188.0	186.0-185.0
Mar	182.6-185.4	187.4-188.6	188.4-188.2
May	188.0-187.6	188.1-189.0	—
Aug	180.0-182.8	188.2-188.8	—

Sales: 3,109 (2,030) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £226.00 (£225.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for March 17: Daily price 7.80 (7.59); 15-day average 7.86 (7.83).

PARIS—(FFr per tonne): May 1271-1273, Aug 1296-1298, Oct 1316-1320, Dec 1341-1355, March 1370-1385, May

RUBBER

PHYSICALS — The London market opened slightly steadier, drifted lower throughout the day and closed easier, reports Lewis and Peat. Closing prices (buyers): Spot 61.00p (61.75p); April 62.00p (62.75p); May 61.75p (62.50p). Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 226.5 (227.5) supported, reports Coley and Harper.

FUTURES—Index 596. April 655-665, April/June 661-671, July/Sept 664-674. Sales: nil.

MEAT

MEAT COMMISSION — Average fatstock prices at representative markets. GB—Cattle 94.68p per kg lw (+0.10). GB—Sheep 201.98p per kg est dcw (+11.64). GB—Pigs 80.96p per kg lw (+0.38). GB—AAPP 98.34p per kg dw (+0.86).

FUTURES—Pigs: April 98.20, June 97.50, Aug 95.40. Sales: 11. Live cattle: April 98.30. Sales: 1.

US MARKETS

CRUDE OIL futures eased, reflecting lower world oil prices as speculators, commission houses and locals took profits, reports Drexel Burnham Lambert. However, heavy trade buying in the expiring April contract counteracted the selling as the April-May switch widened appreciably. Gold futures closed slightly easier following another lack-lustre day. Initial selling by locals uncovered reasonable support at the lows, prompting mild short-covering. Copper fell on commission house selling but trade support at the lows induced a slight rally to pare losses. After opening lower coffee firmed on roaster price-fix buying and on reports of a possible meeting by producers this weekend. However, continued offerings of Colombian coffee kept the market under pressure for the rest of the day. Constant commission house selling in sugar futures eased prices in the face of scale-down trade buying. The grains were uneventful. Maize eased, reflecting weaker cash premiums, wheat was mixed whilst soya bean oil steadied in anticipation of a tender by India. Cattle futures made new contract highs as a result of tightening supplies and aggressive buying by meat packers. Hogs steadied unexpectedly on a combination of short-covering in the April contract and firmer cash prices, whilst pork bellies rallied on reports of record low storings of bellies.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
March	59.65	59.00	—	—
May	58.75	58.10	59.00	58.50
July	57.90	57.20	57.80	57.80
Sept	57.05	56.30	—	—
March	56.75	56.00	—	—
May	55.75	56.00	—	—
July	55.75	56.00	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
May	1939	1936	1946	1927
July	1952	1959	1962	1945
Sept	1971	1978	1980	1961
Dec	1995	2005	2004	1995
May	2050	2048	—	—

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
March	102.00	102.53	102.65	101.80
May	103.04	103.33	103.70	102.30
July	105.21	105.33	105.30	104.80
Sept	107.20	107.80	108.00	107.00
Dec	110.23	110.57	111.00	110.21
March	112.16	112.25	112.50	112.50
May	113.50	114.00	—	—
July	112.63	112.80	—	—

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
March	63.45	63.45	63.50	63.30
May	63.55	63.60	63.80	63.40
July	63.30	63.40	63.60	63.15
Sept	63.50	63.60	63.70	63.36
Dec	63.90	64.00	64.05	63.85
March	64.50	64.60	—	—
May	64.90	65.00	—	—
July	65.30	65.40	—	—
Sept	65.65	65.75	—	—

COTTON 50,000 lb, cents/lb

	Close	Prev	High	Low
May	58.20	58.59	57.50	56.75
July	54.50	54.82	55.70	54.50
Oct	53.50	53.80	54.00	53.50
Dec	52.90	52.85	53.35	52.40
May	53.40	53.40	—	—
July	53.90	53.85	—	—

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
April	18.72	18.87	19.08	18.73
May	18.29	18.51	18.54	18.28
June	18.01	18.22	18.25	18.00
July	17.76	17.99	17.95	17.76
August	17.63	17.81	17.75	17.62
Sept	17.58	17.68	17.62	17.52
Oct	17.55	17.60	17.58	17.58
Dec	17.50	17.53	17.55	17.46
Jan	17.52	17.52	17.52	17.46

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
March	405.1	405.7	—	—
April	406.0	406.8	407.2	404.2
May	408.1	408.9	—	—
June	410.3	411.1	411.6	408.7
August	414.6	415.4	415.5	414.2
Oct	418.4	419.3	419.3	416.0
Dec	422.4	423.3	424.0	421.0
Feb	426.4	427.3	428.0	425.5
June	434.3	435.3	—	—
Dec	447.2	448.3	448.2	447.8

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
April	50.45	52.11	52.55	50.40
May	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
March	133.05	131.90	132.75	131.40
May	134.05	132.80	134.40	132.10
July	134.70	134.85	135.60	134.25
Sept	133.10	133.80	133.35	133.15

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
March	[illegible]	[illegible]	—	—
April	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	—	—
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	—	—
July	[illegible]	[illegible]	—	—
Sept	[illegible]	[illegible]	—	—

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	—	—
July	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	—	—

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lb, cents/lb

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

SPOT PRICES—Chicago loose lard 15.00 (same) cents per pound. Handy and Harman silver bullion 557.5 (558.5) cents per troy ounce.

FREIGHT FUTURES

Reports of Gulf/Japan fixtures at $15.20 gave incentives for traders to buy. An increase in bunker fuel prices and generally steadier oil market also aided the bullish tone, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
April	998/999	999/995	984/987
July	850/855	856/852	832
Oct.	953/933	952/915	918
Jan.	928/930	935	915/930
Apr.	950/950	956/950	925/955
July	820/838.5	820	800/815
Oct.	900	—	900/940
Jan.	908	—	930/940
BFI	909	—	907

Turnover: 388 (281).

GRAINS

Mnth	WHEAT Yest'rdy's close	+ or −	BARLEY Yest'rdy's close	+ or −
	£ per tonne		£ per tonne	
Mar	118.35	+0.15	113.10	−0.10
May	118.55	+0.20	113.60	−0.35
July	120.90	+0.15	—	—
Sep	99.95	+0.25	99.10	−0.15
Nov	102.00	+0.05	101.20	—
Jan	104.50	—	103.65	+0.05
Mar	107.00	+0.05	105.75	−0.10

Business done — Wheat: March 118.60-8.35, May 118.90-8.65, July 121.00-0.75, Sept 100.00-99.80, Nov 102.00-1.85, Jan 104.55-4.50, March 106.95. Sales: 288 lots of 100 tonnes. Barley: March 113.00, May 113.70-3.60, Sept untraded, Nov 101.20-1.00, Jan 103.55, March 105.75. Sales: 68 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring No 1 15 per cent April/May 95.00, June 94.25. US No 2 soft red winter June 89.75, July 87.50. French 11½-12 per cent March 142.25. English feed fob April 119.00 paid Kings Lynn, March 117.50 buyer Boston, April/June 119.50-120.00 buyer/seller, Oct/Dec 104.50 buyer, Jan/March 108.50-110.00 buyer-sellers. Maize: US No 3 yellow/French transhipment east coast second half March 142.50. Barley: English feed fob March 115.00-116.00 buyer/sellers Peterhead. April/June 117.50-118.50 buyer/sellers English/Scottish.

HGCA—Locational ex-farm spot prices. Feed barley: E. Mids 115.50, N. East 114.30. The UK monetary coefficient for the week beginning Monday March 23 will remain unchanged.

OIL

In moderate trade Brent continued around Tuesday's levels in April but May prices were about 10c lower. April WTI opened 8c down on Nymex but traded 1c up at 1.30 pm EST. In the petroleum products market gasoline firmed over the day on good buying interest. Fuel oil was very firm on supply shortages. Gas oil weakened on diminished buying interest—Petroleum Argus, London.

CRUDE OIL—FOB ($ per barrel)—April	Latest	Change + or −
Arab Light	—	—
Arab Heavy	—	—
Dubai	16.90-17.00	—
Brent Blend	18.30-18.40	−0.025
W.T.I. (1 pm est)	18.60-18.90	—
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	197-200	+5
Gas Oil	147-148	−1
Heavy fuel Oil	105-108	+5.5
Naphtha	175-177	−1

Petroleum Argus estimates.

GAS OIL FUTURES

Month	Yestrdy's close US $ per tonne	+ or −	Business Done
Apr	149.50	[illegible]	[illegible]
May	147.50	[illegible]	[illegible]
June	145.00	[illegible]	[illegible]
July	145.00	[illegible]	[illegible]
Aug	146.50	[illegible]	[illegible]

Turnover: 2,725 (3,442) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yesterday's close US $ per tonne	+ or −	Business Done
Apr	98.00	—	98.50-98.00
May	91.95	+3.75	[illegible]

Turnover: 81 (27) lots of 100 tonnes.

R & D agreement

BRITISH GAS and the Gas Research Institute of the US have signed an agreement covering co-operative technology transfer and licensing agreements. Previous research exchanges have involved non-commercial information only.

The two are already discussing the possible licensing in the US of British Gas industrial heating technology in talks expected to be finalised in the next few weeks. The agreement would open up a wider overseas market for British Gas technology.

هكذا من الأصل

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Pound strong on Budget

STERLING REACTED well to Tuesday's UK Budget proposals and yesterday's cut of only ½ per cent to 10 per cent in bank base rates. It closed at the highest level against the dollar for over four years.

The pound was firm before the Bank of England signalled that a larger cut than ½ per cent was not welcome, opening in London about ½ cent higher than Tuesday's close.

Demand for gilts, in reaction to the lower than expected public sector borrowing requirement in the Budget, underpinning sterling, which traded above $1.60 throughout the day.

Dealers also regard the pound as an attractive alternative to the D-mark and yen after recent disappointing West German and Japanese economic news and the Paris currency agreement. The agreement to stabilise the dollar has increased fear of intervention by the West German Bundesbank and the Bank of Japan.

Sterling rose 70 points to $1.6055-1.6065, the highest close since January 1983. It also improved to DM 2.95 from DM 2.94; to FFr 9.8125 from FFr 9.7850; to SFr 2.47 from SFr 2.46; and to Y244 from Y243.

The exchange rate index rose 0.5 to 72.6.

With the spotlight fixed on the pound the dollar was on the sidelines, but had an underlying soft tone. A downward revision to 1.1 per cent from 1.3 per cent in fourth quarter US gross national product growth made no impact on the dollar.

At the same time sentiment appeared to be moving against the currency, with dealers beginning to question whether the Paris accord is about to be tested.

The dollar fell to DM 1.8365 from DM 1.8395; to FFr 6.11 from FFr 6.12; to SFr 1.5380 from SFr 1.5385; and to Y151.90 from Y151.95.

On Bank of England figures the dollar's index rose to 103.3 from 103.2.

D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.7870. February average 1.8234. Exchange rate index 147.0 against 141.8 six months ago.

The D-Mark was little changed against the dollar in Frankfurt. The market was trendless, with the dollar showing no reaction to news of a downward revision to 1.1 per cent from 1.3 per cent in fourth quarter US GNP growth. Sentiment for the dollar remained negative, but dealers were reluctant to put pressure on the US currency for fear of central bank intervention. The dollar closed at DM 1.8375 compared with DM 1.8315 on Tuesday. Earlier in the day Bundesbank did not intervene when the dollar was fixed at DM 1.8371, against DM 1.8327 previously.

Dealers reported a trend to move out of D-Marks and into sterling via the dollar, with the pound supported by firmer oil prices and reaction to Tuesday's UK Budget.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to 151.30. February average 153.36. Exchange rate index 210.7 against 216.1 six months ago.

The yen remained stable against the dollar, as interest turned towards sterling, after a favourable reaction to the UK Budget. Greater interest has been shown in currencies such as sterling and the Canadaian dollar recently, because of the Paris currency agreement, and fears of central bank intervention if the dollar is pushed down against the yen and D-Mark.

These currencies are also regarded favourably to hedge currency risks on dollar investments. Japanese interest in UK goverment bonds has increased significantly recently.

Sterling moved up to $1.6040 in Tokyo from $1.5955 on Tuesday, but gains were cut back by profit taking. The dollar traded within a very narrow range of Y151.75 to Y151.90, closing at Y151.90, compared with Y151.50 previously.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0827	+1.47	+0.97	±1.5344
Danish Krone	7.85212	7.815581	−0.47	−0.97	±1.6404
German D-Mark	2.05853	2.07808	+0.95	+0.45	±1.0981
French Franc	6.90403	6.91507	+0.16	−0.34	±1.3674
Dutch Guilder	2.31943	2.34790	+1.23	+0.73	±1.5012
Irish Punt	0.768411	0.777258	+1.15	+0.65	±1.6684
Italian Lira	1483.58	1476.35	−0.49	−0.49	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Mar 18	Latest	Previous Close
£ Spot	1.6035-1.6045	1.6035-1.6045
1 month	0.52-0.49 pm	0.48-0.46 pm
3 months	1.38-1.33 pm	1.27-1.24 pm
12 months	4.45-4.35 pm	4.35-4.25 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Mar. 18	Previous
8.30 am	72.4	71.9
9.00 am	72.4	71.9
10.00 am	72.3	71.9
11.00 am	72.5	71.9
Noon	72.6	71.9
1.00 pm	72.5	71.7
2.00 pm	72.4	71.9
3.00 pm	72.6	71.9
4.00 pm	72.6	71.2

POUND SPOT—FORWARD AGAINST THE POUND

Mar. 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6005-1.6085	1.6055-1.6065	0.49-0.46 c pm	3.55	1.27-1.22 pm	3.10
Canada	2.1038-2.1092	2.1080-2.1090	0.54-0.46 c pm	2.85	1.37-1.25 pm	2.49
Neth'lands	3.32-3.34	3.32¾-3.33¾	1¼-1 c pm	4.05	3½-3⅛ pm	3.98
Belgium	60.90-61.26	61.10-61.20	16-9 c pm	2.45	40-29 pm	2.26
Denmark	11.06½-11.11¼	11.09¾-11.10¼	⅞-1⅜ ore dis	−1.36	3⅜-4½ dis	−1.46
Ireland	1.0990-1.1065	1.1000-1.1010	0.30-0.45 p dis	−4.09	0.90-1.25 dis	−3.91
W. Germany	2.93¾-2.95½	2.94½-2.95½	1½-1¼ pf pm	5.59	4⅛-3⅞ pm	5.42
Portugal	225.61-226.98	225.90-226.80	64-149 c dis	−5.65	258-377 dis	−5.61
Spain	206.13-206.90	206.55-206.85	74-105 c dis	−5.20	207-257 dis	−4.49
Italy	2087½-2099½	2092-2093	2-par lire pm	0.57	2pm-4 dis	−0.19
Norway	11.10¾-11.16	11.13¾-11.14¾	4-4¾ ore dis	−4.71	13¾-14⅝ dis	−5.09
France	9.77¾-9.83¾	9.80¾-9.81¾	1½-1c pm	1.53	3¼-2⅞ pm	1.35
Sweden	10.26¼-10.30¼	10.28½-10.29½	1⅜-2ore dis	−1.97	3¾-4½ dis	−1.60
Japan	243-244½	243½-244½	1¼-1 y pm	5.53	3⅞-3 pm	5.23
Austria	20.65-20.76	20.70-20.73	10¼-8⅞gro pm	5.54	26½-24½ pm	4.89
Switzerland	2.45½-2.47½	2.46½-2.47½	1¼-1c pm	5.47	3½-3¼ pm	5.47

Belgian rate is for convertible francs. Financial franc 61.45-61.55. Six-month forward dollar 2.23-2.18 c pm 12-month 4.05-3.95 c pm.

CURRENCY RATES

Mar. 18	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.789922	0.704859
U.S. Dollar	5.5	1.26893	1.13190
Canadian $	7.54	*	1.48585
Austrian Sch.	4	16.3755	14.5983
Belgian Franc	8	48.3589	43.0827
Danish Krone	7	8.76006	7.81558
Deutsche Mark	3.0	2.33115	2.07808
Neth. Guilder	4½	2.63684	2.34790
French Franc	9½	7.76204	6.91507
Italian Lira	12	N/A	1476.35
Japanese Yen	2½	192.624	171.901
Norway Krone	8	8.80190	7.85291
Spanish Peseta	—	163.334	145.542
Swedish Krona	7½	8.12623	7.24710
Swiss Franc	3.5	1.95098	1.73881
Greek Drach.	20½	170.849	152.307
Irish Punt	—	N/A	0.777258

*C$/SDR rate for Mar. 17; 1.66718

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Mar. 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6005-1.6085	1.6055-1.6065	0.49-0.46c pm	3.55	1.27-1.22pm	3.10
Ireland†	1.4531-1.4585	1.4580-1.4590	0.95-0.87c pm	7.49	2.42-2.22 pm	6.37
Canada	1.3110-1.3150	1.3125-1.3135	0.04-0.07c dis	−0.51	0.14-0.18 dis	−0.49
Netherlands	2.0705-2.0780	2.0745-2.0755	0.19-0.16c pm	1.01	0.53-0.48pm	0.97
Belgium	37.95-38.15	38.05-38.15	1-4c dis	−0.79	5-10 dis	−0.79
Denmark	6.89½-6.91½	6.90¾-6.91¼	2.10-2.80ore dis	−4.26	6.65-7.35 dis	−4.06
W. Germany	1.8315-1.8390	1.8360-1.8370	0.40-0.37pf pm	2.51	1.15-1.10 pm	2.45
Portugal	141-141½	141-141½	90-130c dis	−9.35	280-340 dis	−8.78
Spain	128.42-128.77	128.65-128.75	88-98 c dis	−8.67	245-265 dis	7.923
Italy	1302-1307	1302¾-1303¾	2¾-3¼lire dis	−2.76	9-12dis	−3.22
Norway	6.92½-6.94½	6.93½-6.94	4.60-5.00ore dis	−8.22	14.10-14.60dis	−8.28
France	6.09¾-6.12	6.10¾-6.11¼	0.82-0.92c dis	−1.71	2.45-2.70 dis	−1.68
Sweden	6.39½-6.41¼	6.40½-6.41	2.70-3.00ore dis	−5.34	7.25-7.65 dis	−4.65
Japan	151.55-152.15	151.85-151.95	0.28-0.25y pm	2.09	0.88-0.83 pm	2.25
Austria	12.87½-12.91¼	12.90-12.90½	2.70-2.20gro pm	2.28	6.50-5.50 pm	1.86
Switzerland	1.5320-1.5405	1.5375-1.5385	0.30-0.25c pm	2.15	0.95-0.90 pm	2.41

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.25-38.35.

CURRENCY MOVEMENTS

March 18	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.6	−21.3
U.S. Dollar	103.3	−4.2
Canadian Dollar	79.4	−9.1
Austrian Schilling	138.1	+10.3
Belgian Franc	100.0	−4.5
Danish Krone	93.2	+3.8
Deutsche Mark	147.0	+21.6
Swiss Franc	171.2	+21.3
Guilder	134.5	+14.0
French Franc	71.7	−12.7
Lira	48.2	−16.7
Yen	210.7	+57.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

EURO-CURRENCY INTEREST RATES

Mar. 18	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	10⅛-10⅜	10⅛-10⅜	9⅞-10⅛	9½-9⅝	9¼-9⅜	9 3/16-9 5/16
U.S. Dollar	5 13/16-5 15/16	6-6⅛	6⅜-6½	6⅜-6½	6⅜-6½	6 7/16-6 9/16
Can. Dollar	6¼-6⅝	6⅝-7	6 11/16-6 13/16	6 11/16-6 13/16	6⅞-7	7 1/16-7 3/16
D. Guilder	5⅛-5⅜	5⅛-5⅜	5 5/16-5 7/16	5 5/16-5 7/16	5⅜-5½	5⅜-5½
Sw. Franc	¾-1	¾-⅞	4 1/16-4⅛	4 1/16-4⅛	3 15/16-4	3 15/16-4
Deutschmark	3⅞-4	3⅞-4	4-4⅛	4-4⅛	4-4⅛	4⅛-4¼
Fr. Franc	8¼-8½	8⅜-8⅝	8-8⅛	8-8⅛	8-8⅛	8⅛-8¼
Italian Lire	8-10	8⅛-9¼	8⅞-9⅛	8⅞-9⅛	9-9½	9½-9¾
B. Fr. (Fin.)	7⅜-7⅝	7¼-7½	7¼-7⅜	7¼-7⅜	7 5/16-7 7/16	7 5/16-7 7/16
B. Fr. (Con.)	7-7½	7-7½	7⅛-7½	7¼-7½	7¼-7½	7¼-7½
Yen	3 13/16-3 15/16	4-4 1/16	4⅛-4 3/16	4 3/16-4 5/16	4⅛-4 5/16	4 1/16-4 3/16
D. Krone	10¾-11¼	10¾-11¼	10¾-11¼	10¾-11¼	10¾-11¼	10¾-11¼
Asian $ (Sing.)	2½-2¾	N/A	3 5/16-3 7/16	3¼-3½	3½-3⅝	3⅝-3¾

Long-term Eurodollars: Two years 6¾-7 per cent; three years 7-7¼ per cent; four years 7⅜-7⅝ per cent; five years 7½-7¾ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

Mar. 18	£	$
Argentina	2.4690-2.4770	1.5350-1.5410
Australia	2.3320-2.3350	1.4545-1.4555
Brazil	32.5670-32.7495	20.2720-20.3730
Finland	7.2210-7.2340	4.4980-4.5000
Greece	214.00-217.75	133.40-135.65
Hong Kong	12.5315-12.5440	7.7970-7.7990
Iran	115.70*	72.00*
Korea (Sth)	1360.15-1372.45	849.20-856.20
Kuwait	0.44510-0.44580	0.27720-0.27740
Luxembourg	61.10-60.20	38.05-38.15
Mexico	1740.40-1757.55	1083.00-1093.00
Malaysia	4.0595-4.0655	2.5255-2.5275
N. Zealand	2.8330-2.8530	1.7670-1.7730
Saudi Ar.	6.0225-6.0280	3.7500-3.7510
Singapore	3.4450-3.4520	2.1450-2.1470
S. Af. (Cm)	3.3295-3.3525	2.0790-2.0835
S. Af. (Fn)	5.3560-5.5405	3.3335-3.4485
Taiwan	55.35-55.65	34.50-34.60
U.A.E.	5.8980-5.9055	3.6725-3.6735

* Selling rate.

EXCHANGE CROSS RATES

Mar. 18	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.606	2.950	244.0	9.813	2.470	3.333	2093.	2.109	61.15
$	0.623	1.	1.837	151.9	6.110	1.538	2.075	1303.	1.313	38.10
DM	0.339	0.544	1.	82.71	3.326	0.837	1.130	709.3	0.715	20.73
YEN	4.098	6.582	12.09	1000.	40.22	10.12	13.66	8576.	8.641	250.6
F Fr.	1.019	1.637	3.006	248.7	10	2.517	3.396	2132.	2.149	62.32
S Fr.	0.405	0.650	1.194	98.79	3.973	1.	1.349	847.2	0.854	24.76
H Fl.	0.300	0.482	0.885	73.22	2.944	0.741	1.	627.9	0.633	18.35
Lira	0.478	0.768	1.410	116.6	4.689	1.180	1.593	1000.	1.008	29.22
C $	0.474	0.762	1.395	115.7	4.654	1.171	1.581	992.4	1.	29.00
B Fr.	1.635	2.626	4.824	399.0	16.05	4.039	5.450	3422.	3.448	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Record volume

TRADING VOLUME rose to record levels in the London International Financial Futures Exchange yesterday with a total of 76,125 lots traded. This included some 10,884 traded in the options market and easily broke the previous record of 66,087 achieved on February 19. The long gilts sector broke through its previous record and commanded a bulk of the day's trading with 48,368 contracts traded.

This was a direct result of continued euphoria after Tuesday's UK budget and yesterday's half point cut in UK clearing bank base rates. The reduction was less than expected and left the market expecting more.

Some dealers suggested that with three-month sterling futures now yielding under 9 per cent, the authorities were looking for an orderly decline in rates at half a point at a time to culminate in a UK base rate of under 9 per cent and an October election. Others were more enthusiastic about an election in June.

Whatever the timing, the market was clearly pleased by the measures announced in the budget and the long gilt contract for June delivery rose to 126-11 at the close up from an opening level of 125.30 and Tuesday night's close of 124-17.

The absence of any bad news, the small cut in base rates and sterling's subsequent improvement helped many traders to feel as comfortable as is possible about staying long. However, there was some call for caution because prices were already discounting all the good news and a major upset would create considerable panic. Obviously the authorities' caution in the run up to an election is designed to avoid just this.

US Treasury bonds were also firmer in the absence of any real move in the value of the dollar. The second revision to fourth quarter GNP which showed a rise of 1.1 per cent against 1.3 per cent helped to provide underlying confidence.

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Apr.	May	June	Sept.	Puts—Last Apr.	May	June	Sept.
1.30	—	—	30.75	30.75	—	—	0.00	0.06
1.35	—	—	25.75	25.75	—	—	0.01	0.18
1.40	20.75	20.75	20.75	20.75	0.00	0.00	0.04	0.49
1.45	15.75	15.75	15.75	15.75	0.00	0.02	0.19	1.12
1.50	10.75	10.75	10.75	10.85	0.00	0.16	0.68	2.23
1.55	5.75	5.79	6.44	7.56	0.13	0.81	1.84	3.96
1.60	1.75	2.60	3.56	5.00	1.34	2.62	3.96	6.40

Estimated volume total, Calls 144, Puts 25
Previous day's open int, Calls 769, Puts 1,133

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Mar.	April	May	June	Puts—Last Mar.	April	May	June
1.35	—	—	13.90	13.90	—	—	0.80	1.60
1.40	17.90	17.90	17.80	17.70	0.25	0.30	0.45	1.05
1.45	12.90	12.90	12.90	12.70	0.30	0.60	0.80	1.50
1.50	10.50	10.50	10.50	10.70	0.30	0.50	0.80	1.80
1.55	5.70	5.80	6.45	7.00	0.55	1.10	1.80	3.40
1.60	1.80	2.60	3.10	4.20	1.80	3.20	3.60	5.80
1.65	0.55	1.10	1.45	2.40	5.45	6.10	7.10	8.900

Previous day's open int: Calls 1118 Puts 625
Volume: N/A

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Apr.	May	June	Sept.	Puts—Last Apr.	May	June	Sept.
1.400	20.00	—	20.20	20.20	0.05	—	0.05	0.30
1.450	15.00	15.20	15.20	25.20	0.05	0.05	0.15	0.70
1.475	12.70	12.70	12.70	22.70	0.05	0.05	0.40	1.05
1.500	10.05	10.20	10.20	8.30	0.05	0.20	0.50	1.55
1.525	7.70	7.70	7.80	7.90	0.05	0.40	0.90	2.20
1.550	4.05	5.60	5.80	6.50	0.30	0.80	1.45	2.90
1.575	3.60	3.80	4.50	5.10	0.55	1.60	2.40	4.05

Previous day's open int: Calls 66,324 Puts 38,508
Previous day's volume, Calls 4,528 Puts 814

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Mar.	June	Sept.	Dec.	Puts—Last Mar.	June	Sept.	Dec.
93.00	0.62	0.68	0.68	—	0.01	0.06	0.12	—
93.25	0.40	0.49	0.50	—	0.04	0.12	0.19	—
93.50	0.22	0.32	0.35	—	0.11	0.20	0.29	—
93.75	0.10	0.19	0.23	—	0.24	0.32	0.42	—
94.00	0.03	0.10	0.13	—	0.42	0.48	0.57	—
94.25	0.01	0.05	—	—	0.65	0.68	—	—
94.50	0.00	0.02	—	—	0.89	0.90	—	—

Previous day's open int: Calls 380, Puts 510
Estimated volume, Calls 5, Puts 0

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
March	126-04	126-00	125-18	124-08
June	126-11	126-16	125-16	124-17
Sept.	126-09	126-04	126-02	124-14
Dec.	126-13	—	—	124-18

Estimated volume 48,368 (26,445)
Previous day's open int. 19,080 (18,960)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
March	103-09	—	—	102-11

Estimated Volume 0 (0)
Previous day's open int. 64 (64)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
March	90.32	90.49	90.27	90.38
June	91.03	91.03	90.87	90.85
Sept.	91.23	91.23	91.07	91.03
Dec.	90.24	91.24	91.08	90.03
March	90.05	90.97	90.97	90.87
June	90.85	—	—	90.69

Estimated Volume 9,173 (3,732)
Previous day's open int. 24,769 (25,138)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
June	93.61	93.63	93.59	93.56
Sept.	93.62	93.64	93.60	93.58
Dec.	93.56	93.57	93.54	93.51
March	93.44	93.45	93.42	93.38
June	93.27	93.25	93.25	93.21
Sept.	93.07	—	—	93.00
Dec.	92.87	—	—	92.59

Estimated volume 3,910 (2,117)
Previous day's open int. 20,815 (20,543)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
March	102-04	102-06	102-00	101-16
June	100-30	101-02	100-00	100-10
Sept.	99-28	—	—	99-08

Estimated Volume 2,653 (3,379)
Previous day's open int. 3,380 (3,288)

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Sept	Puts—Last June	Sept
112	14.23	14.27	0.01	0.09
114	12.24	12.34	0.02	0.16
116	10.27	10.46	0.05	0.28
118	8.33	9.00	0.11	0.46
120	6.46	7.30	0.24	1.12
122	5.03	6.02	0.45	1.48
124	3.41	4.50	1.19	2.32
126	2.31	3.45	2.09	3.27

Estimated volume total, Calls 7,537 Puts 3,127
Previous day's open int: Calls 17,067 Puts 10,222

LIFFE US TREASURY BOND OPTIONS

Strike Price	Calls—Last June	Sept	Puts—Last June	Sept
92	8.60	8.08	0.00	0.16
94	6.61	6.25	0.01	0.33
96	5.00	4.53	0.04	0.61
98	3.12	3.32	0.16	1.40
100	1.46	2.26	0.50	2.34
102	0.48	1.37	1.52	3.45
104	0.16	0.62	3.20	5.06
106	0.04	0.37	5.08	6.45

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 370 Puts 302

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Mar.	102-07	102-12	102-05	102-01
June	101-02	108-08	100-31	100-28
Sept.	100-02	100-07	100-01	99-28
Dec.	99-02	99-06	99-02	98-29
Mar.	—	—	—	98-00
June	97-10	97-14	97-10	97-04
Sept.	—	—	—	96-10
Dec.	95-24	95-26	95-24	95-17
Mar.	—	—	—	94-26
June	—	—	—	—
Sept.	—	—	—	93-18

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
June	94-53	94-56	94-52	94-50
Sept.	94-57	94-59	94-57	94-54
Dec.	94-54	94-55	94-54	94-51
Mar.	94-47	94-47	94-46	94-43

SWISS FRANC (IMM)
SFr125,000 $ per SFr

	Latest	High	Low	Prev.
Jun.	0.6531	0.6553	0.6526	0.6561
Sep.	0.6572	0.6582	0.6526	0.6601
Dec.	0.6615	—	0.6615	0.6641
Mar.	—	—	—	0.6681

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
June	0.6608	0.6623	0.6605	0.6626
Sept.	0.6644	0.6680	0.6680	0.6663
Dec.	0.6680	0.6680	0.6680	0.6701
Mar.	—	—	—	0.6740

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
June	0.5472	0.5486	0.5470	0.5489
Sept.	0.5502	0.5510	0.5510	0.5520
Dec.	—	—	—	0.551
Mar.	—	—	—	0.5582

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
June	93.60	93.62	93.59	93.58
Sept.	93.62	93.63	93.61	93.59
Dec.	93.56	93.57	93.55	93.52
Mar.	93.43	93.44	93.42	—
June	93.27	93.27	93.26	93.22
Sept.	93.07	93.07	93.07	93.02
Dec.	92.87	92.87	92.85	92.82
Mar.	—	—	—	93.39

US TREASURY NOTES (CBT)
10yr $100,000 32nds of 100%

	Latest	High	Low	Prev.
Mar.	104-27	104-30	104-25	104-01
June	104-03	104-07	104-01	104-01
Sept.	103-12	103-15	103-12	103-11
Dec.	—	—	—	102-22

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6060	1.6013	1.5936	1.5840	1.5660

IMM—STERLING $s per £

	Latest	High	Low	Prev
June	1.5960	1.5975	1.5915	1.5880
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev.
June	1.5960	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	—	—	[illegible]
Dec.	[illegible]	—	—	[illegible]

Estimated volume 44 (5)
Previous day's open int 271 (272)

FORWARD RATE AGREEMENTS

STERLING Months	Offer	Bid	Months	Offer	Bid
1-4	[illegible]	[illegible]	3-9	[illegible]	[illegible]
3-6	9.03	8.98	6-12	8.92	8.87
6-9	8.80	8.75	9-12	8.83	8.87
US$					
1-4	6.42	6.37	3-9	6.45	6.40
3-6	6.40	6.35	6-12	6.45	6.40
6-9	6.40	6.35	9-12	6.45	6.40
D-MARK					
1-4	4.09	4.04	3-9	4.17	4.12
3-6	4.10	4.05	6-12	4.18	4.13
6-9	4.17	4.12	9-12	4.25	4.20

MONEY MARKETS

Base rates fall just half a point

BASE RATES were cut by half a point to 10 per cent yesterday which was less than most people had expected. However, the authorities repeated their message that a cautious approach was essential and that interest rates would be reduced but at a dignified rate. Some dealers also suggested that the Government were keen to keep something in reserve should it feel the need to delay a general election until the autumn or later.

UK clearing bank base lending rate 10 per cent since March 18-19

The bank of England made it very clear that it only wanted a half point cut by inviting discount houses to borrow money over two weeks at 10 per cent, some ⅛ of a point below band one dealing rates.

As a result of the half point cut, interest rates moved up from earlier lows and some dealers suggested that rates were in line for an orderly decline once the euphoria of the budget subsided. Three-month interbank money finished at 9 11/16-9 9/16 per cent unchanged from Tuesday while overnight money eased from a high of 10½ per cent to touch a low of 5 per cent. Later balances were bid at 6 per cent.

The Bank forecast a shortage of around £1,100m with factors affecting the market including the repayment of late assistance and bills maturing in officials' hands together with a take-up of Treasury bills draining £1,112m and a rise in the note circulation a further £120m. In addition banks brought forward balances £20m below target.

To help alleviate the shortage, the Bank offered an early round of assistance but gave no help. Instead discount houses wishing to use their borrowing facilities were invited to do so at 2.30 pm at which time 14-day loans would be available at a fixed rate of 10 per cent.

The forecast was later revised to a shortage of around £1,300m and the Bank gave assistance in the morning of £329m through outright purchases of £127m of eligible bank bills in band 1 at 9⅞ per cent and £202m in band 2 at 9 13/16 per cent.

Afternoon help comprised outright purchases of £15m of eligible bank bills, £1m in band 1 at 9⅞ per cent and £14m in band 2 at 9 13/16 per cent.

An earlier invitation by the Bank of England resulted in discount houses taking up loans of £1,000m at 10 per cent over 14 days, making the total amount of help £1,344m.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar. 18) 3 months U.S. dollars		6 months U.S. dollars	
bid 6⅜	offer 6½	bid 6⅜	offer 6½

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	7½
Broker loan rate	7½-7¼
Fed. funds	6⅛
Fed funds at intervention	6 1/16

Treasury Bills and Bonds

One month	5.31	Three year	6.50
Two month	5.57	Four year	6.67
Three month	5.68	Five year	6.75
Six month	5.77	Seven year	6.99
One year	5.96	10 year	7.18
Two year	6.37	30 year	7.49

Mar. 18	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.75-3.85	3.90-4.00	3.90-4.00	3.90-4.05	3.90-4.05	5.0
Paris	8 3/16-8 5/16	7⅞-8	7⅞-8	7⅞-8	7 13/16-8 1/16	7¾
Zurich	¾-1⅛	4 1/16-4 3/16	—	4 1/16-4 3/16	—	—
Amsterdam	5 5/16-5⅜	5⅜-5½	—	5⅜-5½	—	—
Tokyo	3.71875	4.09375	—	4.03125	—	—
Milan	10¼-11¼	10¼-10⅝	—	10⅜-10⅞	—	—
Brussels	6.00	7⅜-7½	—	5⅜-5½	—	—
Dublin	13¾-14	14 1/16-14 3/16	13⅝-13⅞	13¼-13½	12¼-12½	—

LONDON MONEY RATES

Mar. 18	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10½-5	10⅜-9⅞	10 1/16-9 15/16	9¾-9½	9½-9⅜	9½-9¼
Sterling CDs	—	—	10 1/16-10	9 13/16-9 11/16	9⅜-9⅛	9⅛-9
Local Authority Deposits	10½-9⅞	10 1/16-10	9 13/16-9 11/16	9 11/16-9 9/16	9 7/16-9 5/16	9¼-9 3/16
Local Authority Bonds	—	—	—	—	—	—
Discount M'ket Deposits	10-5	10	9¾	9¾	—	—
Company Deposits	10½	10¼	10⅛-9¾	9 11/16	9 9/16	9 5/16
Finance House Deposits	—	—	10	9¾	9⅝	9⅝
Treasury Bills (Buy)	—	—	9¾	9¾	—	—
Bank Bills (Buy)	—	—	9¾	9 11/16	9	—
Fine Trade Bills (Buy)	—	—	10⅛	9 13/16	9⅝	—
Dollar CDs	—	—	6.45-6.409	6.40-6.35	6.40-6.35	6.45-6.40
SDR Linked Deposits	—	—	6⅛-6	6 7/16-5 15/16	6 7/16-6 5/16	6 7/16-5 13/16
ECU Linked Deposits	—	—	7 1/16-6 13/16	7 1/16-6 13/16	7 1/16-6 13/16	7⅛-7

Treasury Bills (sell); one-month 9⅝ per cent; three-months 9⅝ per cent; Bank Bills (sell): one-month 9 9/16 per cent; three months 9 9/16 per cent; Treasury Bills; Average tender rate of discount 9.2935 p.c. ECGD Fixed Finance Scheme IV reference date January 31 to February 27 (inclusive): 10.896 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 per cent from March 1, 1987: Bank Deposit Rates for sums at seven days' notice 5 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 8 per cent; one-three months 8 per cent; three-six months 8½ per cent; six-nine months 8½ per cent; nine-12 months 8½ per cent; Under £100,000 8 per cent from March 18. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5 per cent.

Company Notices

Legal Notices

Art Galleries

Clubs

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	1986/87 High	1986/87 Low	Year ago
	WEDNESDAY MARCH 18 1987					DOLLAR INDEX		
Australia (94)	114.57	+0.8	105.77	110.87	3.04	114.57	70.18	85.95
Austria (16)	93.80	-1.1	86.60	89.37	1.74	101.62	70.60	79.63
Belgium (47)	116.12	+0.1	107.21	109.68	4.06	116.12	53.75	73.10
Canada (132)	131.95	+1.2	121.81	125.45	2.23	131.95	86.58	95.95
Denmark (39)	112.25	-0.4	103.63	105.49	2.37	124.10	87.87	100.65
France (121)	115.40	+1.2	106.53	110.60	2.26	115.47	57.72	76.95
West Germany (99)	86.29	-0.4	79.67	82.39	2.19	100.33	74.48	85.87
Hong Kong (45)	107.48	+3.4	99.23	107.61	2.89	114.71	62.87	63.44
Ireland (14)	129.92	+1.2	119.94	125.51	3.31	129.92	62.33	84.92
Italy (76)	100.25	-0.1	92.55	97.55	1.52	108.30	46.07	74.51
Japan (458)	125.51	+1.1	115.88	120.52	0.53	125.51	49.46	65.55
Malaysia (35)	126.29	+1.1	116.59	122.88	3.03	135.38	66.67	72.77
Mexico (14)	140.82	+5.8	130.01	167.52	1.21	140.82	43.00	54.90
Netherland (38)	111.17	+1.1	102.63	105.28	4.22	111.17	74.14	83.91
New Zealand (27)	92.74	-0.6	85.62	87.16	2.71	100.59	47.37	57.22
Norway (25)	125.45	+3.9	115.81	118.12	1.94	125.45	90.02	105.18
Singapore (27)	115.23	+1.3	106.38	113.96	3.28	120.40	55.94	57.69
South Africa (61)	139.33	+3.8	128.63	103.27	3.68	139.33	69.06	110.11
Spain (43)	111.49	-0.4	102.93	108.71	3.54	121.31	45.00	71.82
Sweden (33)	111.37	+1.3	102.82	105.64	2.25	111.37	63.35	79.71
Switzerland (52)	95.80	+0.1	88.44	91.35	1.86	104.06	69.01	78.00
United Kingdom (342)	130.04	+0.4	120.05	120.05	3.49	130.04	75.39	96.20
USA (581)	120.61	+0.1	111.35	120.61	2.97	120.61	85.46	98.99
Europe (945)	111.97	+0.3	103.37	105.42	2.92	111.97	69.36	86.48
Pacific Basin (686)	124.36	+1.1	114.81	119.58	0.70	124.36	51.10	66.15
Euro-Pacific (1631)	119.42	+0.8	110.25	113.91	1.53	119.42	58.45	74.16
North America (713)	121.21	+0.2	111.90	120.89	2.92	121.21	85.61	98.83
World Ex. US (1838)	120.11	+0.9	110.88	114.26	1.58	120.11	60.02	75.30
World Ex. UK (2077)	119.37	+0.6	110.20	116.46	1.98	119.37	69.65	83.53
World Ex. So. Af. (2358)	120.19	+0.5	110.96	116.86	2.11	120.19	69.95	84.45
World Ex. Japan (1961)	117.84	+0.3	108.79	114.92	2.93	117.84	79.87	93.72
The World Index (2419)	120.31	+0.6	111.07	116.77	2.13	120.31	70.14	84.61

Base values: Dec 31, 1986 = 100

FUTURES/OPTIONS

S&P 500 Index Futures (IMM)

Mth.	last	close	open	high	low
Spot	293.34	292.47	292.49	294.13	292.49
Mar.	293.35A	293.30	294.30	294.30	292.50
Jun.	295.30	295.25	295.80	296.30	294.30
Sep.	296.80B	296.75	296.90	297.90	295.80
Dec.	298.10A	298.00	299.00	299.10	298.10

Value Line Index (KCBOT)

Mar.	269.30	262.69	268.60	269.40	268.30
Jun.	268.25	262.68	268.00	268.30	267.30
Sep.	0	262.67	0	0	0
Dec.	0	262.66	0	0	0

Major Market Index (CBOT)

Mar.	451.60	451.55	451.50	452.30	451.10
Jun.	454.50	453.10	454.90	455.00	454.00
Sep.	0	0	0	0	0
Dec.	0	0	0	0	0

Composite Index (NYSE)

Mar.	167.40	166.90	167.40	167.45	167.10
Jun.	168.65	168.25	168.70	168.80	168.35
Sep.	169.15	169.05	169.50	169.50	169.05
Dec.	169.85	169.80	169.85	169.85	169.85

Source: Reuter

FT SE 100 £25 PER FULL INDEX POINT

	Close	High	Low	Prev
Mar	201.10	202.90	201.00	202.90
June	204.80	206.15	204.40	206.05

Estimated volume 892 (614)
Previous day's open interest, 4,971 (4963)

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Apr	Puts-Last Mar	Puts-Last Apr
19000	11.10	15.20	0.00	0.40
19250	8.62	12.96	0.02	0.66
19500	6.19	10.86	0.09	1.06
19750	3.96	8.92	0.36	1.62
20000	2.15	7.16	1.05	2.36
20250	0.95	5.62	2.35	3.32
20500	0.33	4.30	4.23	4.50
20750	0.09	3.21	6.49	5.91

Estimated volume total, Calls 16 Puts 30
Previous day's open int: Calls 752 Puts 687

EUROPEAN OPTIONS EXCHANGE

Series		May 87 Vol.	May 87 Last	Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Stock
GOLD C	$400	48	16	—	—	—	—	$403.70
GOLD C	$420	141	6.50	103	17	—	—	"
GOLD C	$440	41	3.30	101	10	—	—	"
GOLD C	$460	31	1.30	—	—	—	—	"

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TOTAL VOLUME IN CONTRACTS: 50,938

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	10	Citibank NA	10	Mat Credit Corp. Ltd.	10½
Adam & Company	10½	Citibank Savings	¶12.45	Nat Bk. of Kuwait	10
Allied Arab Bk Ltd	10	City Merchants Bank	10½	National Girobank	10
Allied Dunbar & Co	10	Clydesdale Bank	10	Nat Westminster	10
Allied Irish Bank	10½	Comm. Bk. N. East	10½	Northern Bank Ltd	10
American Exp. Bk	10½	Consolidated Cred	10	† Norwich Gen. Trust	10
Amro Bank	10	Co-operative Bank	*10½	PK Finans. Intl (UK)	11½
Henry Ansbacher	10½	Cyprus Popular Bk	10½	Provincial Trust Ltd	12
ANZ Banking Group	10½	Duncan Lawrie	10	R. Raphael & Sons	10½
Associates Cap Corp	11	E. T. Trust	12	Roxburghe G'rantee	11½
Authority & Co Ltd	11	Equator'l Tst C'p plc	11	Royal Bk of Scotland	10
Banco de Bilbao	10	Exeter Trust Ltd	10½	Royal Trust Bank	10½
Bank Hapoalim	10½	Financial & Gen. Sec	10½	Standard Chartered	10
Bank Leumi (UK)	10½	First Nat. Fin. Corp	11½	Trustee Savings Bnk	10
Bank Credit & Comm	10½	First Nat. Sec. Ltd	11½	UDT Mortgage Exp.	¶12.25
Bank of Cyprus	10½	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of Ireland	10½	Robert Fraser & Ptrs	11½	United Mizrahi Bank	10
Bank of India	10½	Grindlays Bank	‡10½	Westpac B'nking Corp	10½
Bank of Scotland	10	● Guinness Mahon	10½	Whiteaway Laidlaw	11
Banque Belge Ltd	10½	HFC Trust & Savings	10	Yorkshire Bank	10
Barclays Bank	10	● Hambro Bank	10½		
Benchmark Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	12	● Hill Samuel	§10½		
Berliner Bank AG	10½	C. Hoare & Co	10½		
Brit. Bk. of Mid. East	10	Hongkong & Shangh'	10		
● Brown Shipley	10½	Lloyds Bank	10		
CL Bank Nederland	10	Mase Westpac Ltd	10½		
Canada Permanent	10	Meghraj & Sons Ltd	10		
Cayzer Ltd	10	Midland Bank	10		
● Charterhouse Bank	10	● Morgan Grenfell	10		

● Members of the Accepting Houses Committee. * 7-day deposits 6.03%. 1-month 6.38%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 6.02%. Mortgage 12¼%.

FT CROSSWORD PUZZLE No. 6,281

HIGHLANDER

ACROSS

1 Where George IV left his carriage before the coronation? (7, 4)
7 To boot excessively (3)
9 Stay close to sound of sea and fish (5)
10 Possibly cheaper using half page instead of another row (9)
11 Father admits bird warning incidents (9)
12 Foreigner made one in Stock Exchange initially (5)
13 Operational research into disturbing sound: it all goes back to wear (7)
15 Gin: a hazard of course (4)
18 A supplementary item by English section of Church (4)
20 If it's definite it's the thing (7)
23 See nothing with this device? Surely not (5)
24 Punishment for people behind the barricade (9)
26 To leave might show self-control (9)
27 Expressing sympathy at that point (5)
28 Clothes aren't complete failure (3)
29 Financially he accepts responsibility for reporting to author (11)

DOWN

1 Recovered and ran over (8)
2 Animal trained to lead and follow (5, 3)
3 African contribution to American wine-growing (5)
4 It's swell operating with him (7)
5 When parking, stop on road surface (7)
6 Stops using acid to activate engine (4-5)
7 Dealer turns up Titian painting (6)
8 One of the first in used to take top off (6)
14 I'm ready to act; you sound unprepared (9)
16 By chance the stress is about the same (8)
17 Animal harness? Not cheap, it's said (8)
19 Done badly, got married, provided with permanent income (7)
20 Married wrong suitor (7)
21 Maintained a five-nil lead over United (6)
22 Total was first off (6)
25 On the go since it turned up-river (5)

Solution to Puzzle No. 6,280

POSTAL OSTLER
BEWITCH MASTIFF
DEEPLITTER RARE
MORSE GRAYLING
FRIGHTEN CHAFE
SCAR COMEASHORE
AMIABLE AMNESIA
ELEVEN ADHERE

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80 Holdenhurst Rd, Bournemouth 0345 717373

	Bid Price	Offer Price	+ or −	Yield Gross
High Income				
American Income	51.9	55.2	+0.3	4.76
Gilt & Fixed Int.	113.6	120.2	+1.7	9.98
High Inc Equity	117.4	124.8	+0.2	4.17
Worldwide Bond	192.7	204.9	−2.4	4.73
Capital Growth				
American Growth	170.4	181.2	+0.4	0.78
Asian Pacific	65.4	69.5	+0.8	1.63
Assets & Engy. Tst.	137.3	146.6	+0.4	1.96
Capital Reserve	70.1	70.5	+0.3	1.43
Commodity & Engy	229.0	237.2	+0.6	0.83
European Capital	92.5	98.4	−1.3	1.29
General	162.7	173.0	+0.6	2.46
Japan	81.1	86.2	−0.3	0.0
Mastertrust	75.6	80.4	+0.1	2.04
UK Growth Acc Units	197.7	210.3	+1.4	0.75
UK Growth Dist	136.8	145.6	+1.0	1.06
U.S. Emerging Co's	63.4	67.4	+0.4	0.07
Equitas Prog	258.5	274.9	—	2.62

AEtna Unit Trusts Ltd(a)(b)(c)
401 St John St, London EC1V 4QE 01-837 6494

	Bid Price	Offer Price	+ or −	Yield Gross
Australian Securities	74.7	79.9	—	—
(Accum. Units)	77.9	83.3		—
European Growth	116.7	124.3		1.27
Exempt	362.5	384.0		4.49
(Accum Units)	840.9	893.3		4.49
Far Eastern	206.0	220.5		0.10
(Accum. Units)	222.7	238.2		0.10
Fin & Prop	74.9	79.3		2.28
(Accum. Units)	119.2	126.3		2.28
High Yield	70.6	74.4		4.68
(Accum. Units)	157.3	166.4		4.68
Income	302.7	320.7		3.91
(Accum Units)	961.4	1018.4		3.91
Intl Earnings	194.3	205.9		2.16
(Accum. Units)	284.5	301.4		2.16
International Growth	93.2	99.3		0.61
(Accum. Units)	97.4	103.7		0.61
Japan Growth (Acc)	133.3	142.4		0.30
Natural Resources	233.0	248.1		—
(Accum Units)	338.3	340.3		—

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FT UNIT TRUST INFORMATION SERVICE

MGM Unit Managers Ltd
MGM House, Heene Rd, Worthing 01-623 8211

High Inc.	269.5	286.4	+0.4	5.45
(Accum Units)	325.9	346.7	+0.5	5.45
UK Growth	295.6	357.0	+1.4	2.66
(Accum Units)	354.6	377.0	+1.5	2.66

MLA Unit Trust Management
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 674751

MLA Gen. Tst.	40.4	42.8	—	1.75
MLA Income Trust	53.0	56.1	+0.2	4.01
MLA Int.	59.7	63.2	—	0.83
MLA Gilt Unit Tst.	25.0	26.4	+0.7	9.04
MLA European Trust	33.2	35.1	−0.2	0.71
MLA American Tst.	26.7	28.3	+0.2	0.86

ManuLife Management Ltd
St George's Way, Stevenage 0438 356101

Gilt&Fxd Int.	118.2	122.4	—	7.02
Growth Units	96.8	102.9	—	2.11
High Income Unit	139.8	148.3	—	4.01
High Yielding Gilt Uts	60.4	62.5	—	8.39
Intl Growth Unit Tst	150.7	160.3	—	0.27
UK Smaller Cos.	102.9	109.3	—	1.68
North American	83.7	88.9	—	0.46
Far East	117.0	124.3	—	0.03

Mayflower Management Co Ltd
No. 1 London Bridge, London, SE1 9QU 01-378 7000

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	306.2	326.0	+0.4	0.97
Income	234.1	249.4	+0.2	3.68
Worldwide Recovery	168.4	179.0	+0.6	1.61
American Growth	77.0	82.3	+0.4	0.88
Intl. Emerging Cos.	90.6	96.0	−0.1	0.72
Far East Growth Fd.	94.5	100.9	+0.7	0.78
European Growth Fd.	62.9	67.2	−0.2	1.05

Prolific Unit Trust Managers Limited.
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Inc.	59.5	63.5	−0.5	1.84
Prolific C'vert & Gilt	114.4	121.8	+0.2	4.94
Prolific Euro Gth&Inc	49.5	52.7	−0.5	2.78
Prolific Extra Inc.	113.5	121.2	+0.5	3.66
Prolific Far East	197.5	211.3	+1.0	—
Prolific High Inc.	77.8	83.5	+0.1	3.42
Prolific Intl.	141.4	150.5	+0.1	0.36
Prolific N. Amer.	137.9	147.5	−1.2	—
Prolific Spec. Sits.	92.9	98.9	+0.6	1.01
Prolific Technology	137.2	146.8	+0.5	—

Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc.	86.3	92.3	−0.5	0.00
Japan Acc.	86.4	92.5	−0.5	0.00
Worldwide Inc.	76.9	81.4	—	1.09
Worldwide Acc.	78.2	82.8	−0.1	1.09
European Tst Inc.	92.0	96.9	−1.3	0.35
European Tst Acc.	91.7	97.6	−1.2	0.35
North American Inc.	67.4	71.4	+0.1	1.18
North American Acc.	68.4	72.4	+0.1	1.18
UK Equity Inc.	83.4	86.2	—	1.89

Scottish Widows' Fund Management
PO Box 902, Edinburgh

Sentinel Funds Mngmt Ltd
30 City Road, London EC1
Dealing: 01-628 6626

Smith & Williamson Unit Trust Mngrs

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

M & G Group
Three Quays, Tower Hill, EC3R 6BQ 01-626 4588

Amer Bond (Acc)	213.0	223.7	-3.5	—
Amer Rec Bond (Acc)	272.8	286.4	+0.2	—
Amer Smlr Co Bd (Acc)	119.0	125.0	+0.3	—
Australasian Bd (Acc)	165.7	174.1	-0.9	—
Commodity Bond (Acc)	172.7	181.5	-0.6	—
Deposit Bond (Acc)	221.5	232.7	.....	—
Equity Bond (Acc)	642.5	674.7	-27.5	—
Equity Bond Bonus	271.5	285.2	-11.6	—
European Bond (Acc)	178.2	187.2	-6.2	—
Extra Yld Bd (Acc)	358.2	376.2	-1.6	—
Far Eastern Bond (Acc)	145.8	153.3	+2.4	—
Gilt Bond (Acc)	262.4	275.6	+6.4	—
Gold Bond (Acc)	130.0	136.6	+1.9	—
High Yield Bond (Acc)	241.9	254.0	-4.1	5.32
Index-Linked GtBd(Acc)	125.6	132.0	+0.9	—
Internatl Bond (Acc)	391.2	410.8	-9.2	—
Internl Inc Bond (Acc)	127.9	134.4	-0.4	—
Japan Bond (Acc)	206.4	216.8	-9.3	—
Japan Smaller Co (Acc)	147.0	154.4	-2.7	—
Managed Bond (Acc)	473.0	496.8	-3.6	—
Property Bond (Acc)	285.4	299.8	-0.3	—
Recovery Bond (Acc)	339.9	357.0	-10.4	—

Pensions Funds

American (Cap)	327.8	344.3	-4.5	—
American (Acc)	454.7	477.5	-5.9	—
Building Soc (Cap)	93.6	98.4	+0.2	—
Building Soc (Acc)	129.9	136.5	+0.4	—
Deposit (Cap)	153.6	161.3	.....	—
Deposit (Acc)	213.0	223.7	.....	—
European (Cap)	135.2	142.1	-1.8	—
European (Acc)	187.6	197.1	-2.5	—
Equity (Cap)	388.6	408.1	-5.6	—
Equity (Acc)	538.5	565.6	-7.7	—
Gilt (Cap)	245.4	257.7	+5.0	—
Gilt (Acc)	340.3	357.4	+6.9	—
Gold (Cap)	90.4	95.0	+0.5	—
Gold (Acc)	125.4	131.8	+0.7	—
Index-Linked (Cap)	95.7	100.6	+0.9	—
Index-Lnkd Gilt (Acc)	132.7	139.4	+1.1	—
International (Cap)	107.3	112.8	+0.8	—
International (Acc)	148.9	156.4	+1.0	—
Intnl Inc (Cap)	105.3	110.7	+0.5	—
Intl Inc (Acc)	146.1	153.5	+0.7	—

NM Schroder Life Assurance Ltd
Enterprise House, Portsmouth 0705 827733

American	249.4	262.5	-3.5	—
Australian	158.4	166.7	+0.7	—
CCM Vanguard Mngd	392.8	413.4	+0.4	—
Equity	847.0	891.5	-1.1	—
European	317.4	334.1	-2.0	—
Far Eastern Growth	125.2	131.7	-0.7	—
Fixed Interest	330.1	347.4	+5.4	—
Gold	103.5	108.9	+0.3	—
Income Accum	420.5	442.6	+1.1	—
International	263.6	277.4	-1.9	—
Japan Smlr Co's	216.5	227.8	-1.8	—
Managed	425.8	448.2	+0.4	—
Property	285.9	300.9	.....	—
Residential Property	107.1	112.7	.....	—
Singapore & Malaysian	135.7	142.8	+0.1	—
Smaller Companies	366.4	385.6	+1.0	—
Tokyo	353.5	372.1	-0.1	—
UK Equity	362.7	381.7	.....	—
American Pension	271.8	286.1	-4.9	—
Australian Pension	193.7	203.8	+0.2	—
CCM Vanguard Pension	161.1	169.5	+0.4	—
Equity Pension	584.4	615.1	-0.9	—
European Pension	234.6	246.9	-2.1	—
Far Eastern Growth Pen	137.2	144.4	-0.9	—
Fixed Interest Pension	284.9	299.8	+4.5	—
Global Mngd Pension	136.8	144.0	-0.2	—
Gold Pension	112.0	117.8	+0.4	—
Income Acc Pension	212.4	223.5	+0.7	—
International Pension	169.5	178.4	-1.6	—
Japan Smlr Co's Pen	267.0	281.0	-2.8	—
Managed Pension	1,194.3	1,257.1	+0.8	—
Property Pension	267.3	281.3	+0.1	—
Residentl. Prop Pen	111.7	117.5	.....	—
Singapore & Malay. Pen	153.0	161.0	+0.2	—
Smaller Cos Pension	174.0	183.1	+0.6	—
Special Exempt	307.8	324.0	-0.7	—
Tokyo Pension	401.4	422.5	-0.1	—
UK Equity Pension	200.2	210.7	.....	—

Prices: Life Series 4 Acc; Pension Series C Acc March 18

MGM Assurance

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

National Mutual Life
5 Bow Churchyard, London EC4M 9DH 01-236 1566

National Mutual of Australasia

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd
Leon House, Croydon CR9 1LU

Providence Capital Life Assc. Co. Ltd
30 Uxbridge Rd, London W12 8PG

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Provincial Life Assurance Co Ltd

Prudential Assurance Co

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Save & Prosper Group

Scottish Amicable Investments

Scottish Equitable Life Assc. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd.

Teachers' Assurance Company Ltd

Transatlantic Life Assur Co Ltd

Trident Life Assurance Co Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

UK Provident

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

First Financial Services PLC

Investment Portfolio Services Ltd

Johnson Fry Plc

Knight Williams & Company Ltd

Lamont & Partners Ltd.

Management & Executive Ltd

March Financial Management Ltd

Noble Lowndes & Partners Ltd

The Newmarket Group

PBK Fund Management Ltd.

The Prescient Group

Sharp (Albert E.) & Co

Towry Law & Co

J. R. Ward & Co Ltd

Yorkshire & Lancashire Investment Mgt.

MANAGEMENT SERVICES

Chase de Vere Investments Ltd

Doherty Colne Financial Mgt. Ltd.

FPS Management Ltd.

OFFSHORE AND OVERSEAS

Aetlantic Investment Fund SA

Adig Investment

Albany Fund Management Limited

Alexander Rowe (Bermuda) Ltd

Alliance Capital Management Intl. Inc.

Allied Dunbar International Fund Mgrs.

Allied Irish Fund Managers (CI) Ltd

Asset Global Funds Ltd

BAII Multicurrency (SICAV)

BIA Bond Investments AG

BNP Inv Mngmt (Jersey) Ltd

Julius Baer Bank & Trust Co Ltd

Barclays Unicorn International

Baring Fund Managers (Guernsey) Ltd

Baring International Group

Barrington Mgmt (CI)—Barrington Fd

Bishopsgate Commodity Ser. Ltd

Brazil Capital Services Ltd

Bridge Management Guernsey Limited

Bridge Management Ltd

Brown Shipley Fund Mgmt (CI) Ltd

Butterfield Management Co

CAL Investments (IoM) Ltd

Capital International

Cater Allen Investment Management (CI)

Charterhouse Bank

Charterhouse Fund Mngt. (C.I.) Ltd

Citibank (CI) Ltd

Corinum International

Crédit Suisse

DWS Deutsche Ges. f. Wertpapiersp

Dartmouth Management (Guernsey) Ltd

Dean Witter World Wide Investment Trust SA

Delta Group

Deutscher Investment-Trust

Dreyfus Intercontinental Inv. Fd.

Duncan Lawrie Inv. Mgt. Ltd

EBC Trust Company (Jersey) Ltd

EquiBank International Mngt Ltd

Equity & Law International Fund Mgr Ltd

Equity & Law International Life Assur Co Ltd

Ermitage Management Ltd

Ermitage Management Cayman Ltd

Eurolife Assurance Group

Europe Prestige Fund SA

Europa Life (Channel Islands) Ltd

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

Eurotax Investments Ltd
1 Athol Street, Douglas, Isle of Man
UK Agents F/S St Albans 0727 41122

FFM Futures Fund Ltd
PO Box 1540, Hamilton, Bermuda (809-295) 7447

Far East Growth Fund
10b Boulevard Royal, Luxembourg (352) 40830

Fidelity International
9 Bond St, St Helier, Jersey, CI
Dealers: 33201. PO Box 670, Hamilton, Bermuda 0534 71696

Hambros Bank Ltd
41 Bishopsgate, London, EC2 01-588 2851

Hambro Pacific Fund Mgmt Ltd
2110 Connaught Centre, Hong Kong

Hambros Fd Mgrs (CI) Ltd
PO Box 86, Guernsey 0481 26521

Lazard Brothers & Co. (Jersey) Ltd.
P.O. Box 108, St Helier, Jersey, C.I. 0534 37361

Lloyds Bank (CI) U/T Mgrs.
PO Box 195, St Helier, Jersey 0534 27561

Lloyds Bank Geneva Switzerland
1 Place Bel-Air, CH-1211 Geneva 11 (Switzerland)
Tel: 010-41(22) 20 86 11 (ext. 294) Mr King

Lloyds Intl. Money Market Fund Ltd

North Star Group of Companies
c/o Provinzbanken International (Luxembourg) SA
25 Bvd. Royal, Luxembourg Tel 46275

Norway Fund Management A/S
Sidsperget 29 0154, Oslo 1, Tel. 618100, Norway

PFC Internatl Portfolio Fd Mngt Ltd
PO Box 30927, Hong Kong 5-7908448

Pacific Basin Fund
10a Boulevard Royal, Luxembourg
Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for June 1986: 385.8 and for January 1987: 394.5.

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

NOTES

LONDON SHARE SERVICE

CANADIANS

High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's
32⅞p	20p	♥Abbot Energy Corp.	21½p	......	—	—	—
18½	380p	♥Amer Barrick Res.	17¼	-⅛	—	—	—
19⅝	13¼	Bk. Montreal ‖	16¼	+⅛	$2.00	—	5.9
10½	595p	Bk. Nova Scot.‖	925p	+11	72c	—	3.7
20¼	17⅝	BCE ‖	20¼	+⅛	$2.40	—	5.7
918p	457p	♥Bow Valley‖	901p	+17	10c	—	0.5
17½	11¼	♥Brascan‖	17½	+⅛	88c	—	2.4
429p	233p	♥Breakwater Res.	415p	-3	—	—	—
11⅝	820p	Can. Imp.Bk. $2	10⅞	+⅛	$1.08	—	5.0
11¼	692p	Can. Pacific ‖	11⅝	+⅛	48c	—	2.0
42	35	Do. 4pc Deb £100	42	+2	4%	—	9.5
21¼	875p	♥Echo Bay Mines	21¼	+⅛	20c	—	0.4
636p	289p	♥Granges Explnǁ	599p	-34	—	—	—
35p	10p	♥Gt Pacific Res.	12½p	-½	—	—	—
13⅛	620p	♥Gulf Canada‖	13⅛	+⅛	52c	—	1.9
15	10½	♥Hawker Sid Can‖	13	......	96c	—	3.5
750p	100p	Heniys Group	640p	+19	—	—	—
15⅝	11	Hudson's Bay ‖	13⅛	......	60c	—	2.2
32¼	16¼	♥Imperial Oil‖	32⅝	+1⅝	s$1.60	—	2.4
11⅞	731p	Inco‖	978p	+11	US$0.20	—	1.4
20	550p	♥Intl. Corona Res.	19	......	—	—	—
701p	500p	♥Inland Nat. Gas $1	628p	+7	60c	—	4.6
261p	122p	♥Mascotecho Expln.	261p	+4	—	—	—
22⅞	748p	♥Ntnl Business Syst.‖	956p	-2	—	—	—
13½	965p	♥Rio Algom	10⅝	......	65c	—	2.9
19⅝	13⅞	Royal Bk. Can. ‖	16⅛	+⅛	$2.00	—	5.9
46½	30¼	Seagram‖	46⅝	+1⅛	US$1.00	—	1.5
14⅞	10½	Toronto-Dom. Bk.‖	14	......	84c	—	2.9
10	753p	♥Trans Can Pipe	996p	-4	$1.12	—	5.4
223p	125p	Varity Corp‖	149p	-4	8	—	—

BANKS, HP & LEASING

1986/87 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
297	185	ANZ SA1	228	-2	Q31c	2.4	6.0	♦
£183½	£139¾	Algemene Fl.100	£152½	+½	Q27%	♦	5.5	♦
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.6	5.7	8.1

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Cont.

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

NOTES

[illegible] special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	76	......	Fin. 13% 97/02	£104⅞	+2⅝
Craig & Rose £1	£15¾	......	Arnotts	340	......
Finlay Pkg. 5p	69	+1	CPI Hldgs	85	+5
Holt (Jos) 25p	895	−5	Carroll Inds.	132	......
IoM Stm. £1	88	+3	Dublin Gas	11	+1
			Hall (R. & H.)	188	......
IRISH			Heiton Hldgs.	32	−1
Fund 11¾% 1988	£98	+⅛	Irish Ropes	180	......
Nat. 9¾% 84/89	£95¾	......	Unidare	385	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p	NEI	8
Allied-Lyons	35	Nat West Bk	55
Amstrad	16	P & O Dfd	55
BAT	47	Plessey	20
BOC Grp	42	Polly Peck	20
BSR	12	Racal Elect	20
BTR	30	RHM	30
Babcock	19	Rank Org Ord	55
Barclays	47	Reed Intnl	42
Beecham	48	STC	20
Blue Circle	62	Sears	12
Boots	25	TI	55
Bowaters	37	TSB	8
Brit Aerospace	58	Tesco	42
Brit. Telecom	29	Thorn EMI	50
Burton Ord	23	Trust Houses	20
Cadburys	22	Turner Newall	24
Charter Cons.	30	Unilever	158
Comm Union	29	Vickers	55
Courtaulds	95	Wellcome	58
FNFC	20		
Gen Accident	80	Property	
[illegible]	18	Brit Land	17
Glaxo	110	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	100	Peachey	30
Guardian	85	Oils	
GKN	30	BDM	3½
Hanson Tst.	15	Brit Petroleum	60
Hawker Sidd	50	Burmah Oil	38
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen	25	Tricentrol	11
Lex Service	35	Ultramar	17
Lloyds Bank	48	Mines	
Lucas Inds	55	Cons Gold	65
Marks & Spencer	16	Lonrho	24
Midland Bk	55	Rio T Zinc	65
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

Further gains in Government securities but sterling overshadows equity sectors

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Mar 9	Mar 19	Mar 20	Mar 30
Mar 23	Apr 2	Apr 3	Apr 13
Apr 6	Apr 23	Apr 24	May 5

* New time dealings may take place from 9.00 am two business days earlier.

The UK securities markets responded to the relatively prudent tone of the UK Budget with further gains in Government bond prices, but a somewhat cooler performance from the equity sector. Half point cuts in UK bank base rates disappointed hopes for a full point reduction, yet failed to stem the surge in sterling which continued to bear down on the major exporting stocks. Only oil shares, supported by renewed optimism on crude prices, could sustain early gains.

Equities opened firmly as the overnight strength of the Tokyo and New York markets underpinned share gains registered by London stocks after the Budget Speech.

Bank base rate cuts were signalled early, but so was the authorities' wish to postpone full point reductions for the moment. This restraint, while in line with the tone of the Budget, disappointed an equity market geared up for measures more positive towards the Government's election chances.

Early gains in the consumer and banking stocks were soon trimmed, and the strength of oil shares, which responded to reports of a bullish circular in New York, was offset by weakness in pharmaceuticals and in the export stocks.

Price gains were whittled away and, despite a firm start in New York, the London market closed flat in disappointing turnover.

After an initial rise of 12 points, the FT-SE 100 index slipped away to end a mere 0.3 up at 2006.60. The FT ordinary index at 1589.5, added 2.6.

Once again, **Imperial Chemical Industries** was hard hit by the surge in sterling, *particularly against* the DM, which is a significant currency for the group's overseas operations. **GEC** and **GKN** remained firm but **Jaguar** gave ground.

Pharmaceutical stocks reacted with widespread falls to the news that Bristol-Myers will seek permission to test an anti-Aids vaccine in the US this month. **Glaxo**, having opened higher ahead of an important presentation to Japanese investors in Tokyo overnight, fell sharply at the close. **Wellcome**, which has seen somewhat erratic interest from Japanese investors, also took a heavy toumble.

But the gilt-edged market was in good form as both foreign and domestic investors continued to respond favourable to the Chancellor's restraint and to the welcome news that Public Sector Borrowing will be only £4bn this year.

Long-dated stocks added a full point and more to the two-point rises chalked up late on Budget Day, and closed at the day's best levels. Disappointment with the smaller than expected base rate cuts brought no more than a temporary check, even at the short end of the market, since the City expects further base rate reductions before long.

The reduction in base lending rates failed to make any impression on the major clearing banks and quotations closed with small irregular movements. Elsewhere in the banking sector, **Morgan Grenfell** shed 9 to 365p after revealing annual profits at the lower end of market estimates. **Standard Charterer**, annual results due next Tuesday, firmed 17 afresh to 777p.

The Chancellor's proposals on pensions gavea boost to Life Insurance concerns with **Prudential** prominent and finally 24 higher at 919p. **Abbey Life** put on 4½ to 256p and **Legal and General** added 4 to 311p; the latter's annual results are due today.

The concensus view that Breweries would be Budget beneficiaries brought enhanced opening prices. But the unexpected absence of excise duty increases failed to excite investors and most quality stocks spent the remaineder of the session drifting back. **Bass**, for example, rose to 943p before ending the day a net 13 lower at 935p while **Allied-Lyons** settled 5 easier at 394p, after 403p and **Whitbread "A"** 6½ down at 333p. Against the trend, regional **Fuller Smith** enjoyed further support and closed 7 up at 402p. Contrary to marketmakers' expectations, **H.P. Bulmer** went lower. Encouraging newspaper mention had seemed likely to draw buyers, instead a steady stream of small sales developed which lowered the shares 13 to 184p. Last Thursday, the company described a Press report of a definite bid approach "as totally without foundation."

Building issues, with a few notable exceptions, gave a subdued performance. **Tarmac** were boosted by the £7m acquisition of **F.J.C. Lilley's** quarrying companies and rose 12 to 540p; the latter hardened 1½ to 52½p. **BPB Industries** rose 14 to 703p following occasional buying interest, while **Redland** added 2½ to 474p. **Countryside** gained 17 to 582p in response to the chairman's optimistic statement at the annual meeting. **Helical Bar** continued to attract interest and rose 15 more to 590p, while **Baldwin** put on 16 to 107p in a restricted market following speculative buying.

The pound's latest show of strength depressed **ICI** which lost 7/16 at £12 11/16. Elsewhere in the Chemical sector, **Wardle Storeys** rose 13 to 456p. **Rentokil** shed 3½ to 168p following the annual results.

Although it was generally assumed that the Chancellor's taxation cuts and lower mortgage rate would fuel consumer spending, leading retailers showed little overall change. Most started higher but then drifld back on the lack of investor interest. **Dixons** were one of the exceptions, gaining 4 to 385p on the success of its tender offer for US concern Cyclops. Others included **Harris Queensway**, 5 better at 222p, and **Ratners** which gained 6 to 319p. **Superdrug** picked up 6 further at 515p awaiting today's annual results, while **Hamden Homecare** improved 7 to 113p on a report that the shares were due a rerating. **Mrs Field** advanced 10½ to 201p, and **Etam** 5½ to 252p, but **Body Shop** slipped 22 to 730p. **Coats Viyella** came back 8 to 576p.

British Telecom attracted a considerable amount of interest (13m) as fears of re-nationalisation faded and the shares closed 9 to the good at 258p. Elsewhere in the Electrical leaders, increased consumer spending hopes left **Thorn EMI** 11 to the good at 620p, while **Racal** gained 4½ to 249p following a Chase Manhattan presentation of the company to institutional investors in Scotland. **Logica** responded to the intrim figures and contract news with a rise of 8 at 329p, while other bright spots included **Lorlin**, 7 to the good at 225p, and **Whitworth Electrical**, 10 better at 163p.

Among the Engineering leaders, **Hawker** moved up 12 to 529p in a relatively low volume of trade, while **GKN** ended a shade firmer at 331p following the announcement of boardroom changes. Elsewhere, **Birmid** fell 9 more to 217p as bid hopes faded following Hepworth Ceramic's sale of its 4.9 per cent stake. **Glynwed**, on the other hand, continued in demand and put on 10 at 412p, while **Carclo** edged up 5 more to 590p. **W. A. Tyzack**, still reflecting the change in stakeholders, rose 6 more to 111p.

Foods were selectively firm. **J. Sainsbury** revived with a gain of 11 at 496p, while **Argyll** improved a similar amount to 425p. **United Biscuits** eased to 275p after revealing annual profits much in line with market estimates, but subsequently picked up to close a penny dearer at 278p. **Associated British Foods** revided strongly and gained 13 to 359p.

A broker's recent profits downgrading continued to overshadow **Grand Metropolitan** which shed 7 to 482p. **Trusthouse Forte**, however, added 2 to 220p, while **Ladbroke**, boosted by the Chancellor's decision to abolish on-course betting tax from March 29, rose 9 to 448p. Elsewhere, **Mount Charlotte** put on 2½ to 123½p on asset value considerations and trading prospects following the recent agreed offer for **London Park Hotels**; the latter were 26 higher at 845p.

The continuing strength of sterling made for a subdued and dull trading session in the international stocks. **Glaxo** settled ⅛ cheaper at £15¾, while **Beecham** gave up 4 to 553p and **Boots** were similarly cheaper at 287p. **Hanson** eased 4 to 167. **Wellcome** came under persistent selling pressure (3.6m shares changed hands) on fears of competition for its anti/AIDS drug Retouir and fell away sharply to close 34 lower at 461p. The other anti/AIDS related stock **London International** also encountered offerings before settling 21 cheaper at 287p. Elsewhere, **Trafalgar House**, contrasted with a gain of 16 at 351p, helped by the recent firmness in the oil price and hopes that the company will benefit from the PRT reliefs announced in the Budget. **Rank Organisation**, encouraged by the chairman's annual statement, advanced 11 to 709p, but the announcement of a rights issue from Turner and Newall to raise £71.7m net, which came with the preliminary figures, surprised the market and prompted a reaction of 11 to 230p in the share price. **Securiguard** moved up 10 to 148p after theannual meeting, while buying in anticipation of next Tuesday's preliminary figures left **Abbeycrest** 14 to the good at 200p. **TSL** encountered speculative demand and put on 20 to 128p. **BSS** were also noteworthy for a rise of 12 at 325p, but profit-taking clipped 7 from **Bowater** at 438p. **Erskine House**, sustained by the US expansion moves, improved 7 more to 228p. **Williams Holdings** drifted off to close 7 cheaper at 728p in front of today's preliminiary statement. **London and Northern** ended a shade easier after the announcement that the company had concluded arrangements for the sale of shares of Tace at 460p to raise approximately £6.5m. These shares form part of London and Northern's total holding of 30.5 per cent.

First Leisure continued to reflect the chairman's confident statement and rose 16 more to 536p, a two-day rise of 23. **Stanley Leisure** attracted fresh support at 292p, up 7, while **International Leisure** put on 6 to 149p following favourable press comment. Among Television issues, **Central**, a firm market of late reflecting Carlton Communications' purchase of a 20 per cent stake in the company from Ladbroke, dipped 17 to 567p on profit-taking.

The strong sterling exchange rate choked off foreign interest in **Jaguar** which, after initial firmness, lost 9 to 561p. **Lucas Industries**, however, appeared to be wanted by institutional investors and, amid signs of stock shortages, rose 12 to 600p. Bid speculation following Tuesday's offer for **Western Motors**, up 5 further at 280p, touched off flurries of business in Motor Distributors. **T. Cowie** went higher on revived rumours that it was about to bid for **Godfrey Davis** and closed 10 dearer at 408p; **Godfrey Davis** strangely eased to 173p. **Caffyns** rose 7 to 320p but **Glanfield Lawrence** slipped 4 to 123p. **Lex Service** extended the recent advance to end at 379p.

The confident prediction of another year of progress ahead revitalised **DRG** and the shares recovered from a lower early level to close unchanged on balance at 424p; last year's profits were fully up to market expectations at £41.2m. **Watmoughs** advanced 15 to 365p behind its preliminary statement, while **Ault and Wiborg** added 4 at 135p awaiting full-year figures today. Recently-weak **Barham** found favour and gained 4 to 165p on a revival of speculative interest. Sector leaders to lose ground included **BPCC**, down 10 at 340p, and **Bunzl**, 12 off at 228p; the latter has been mooted as a possible bidder for DRG. Elsewhere, **Goodhead Print** moved up 10 to 210p, but **Crown TV Products** reacted 3 to 60p.

The Property leaders edged higher initially, but subsequently slipped back in the absence of buyers to close easier for choice. **Laing Properties** gave further ground in the wake of the disappointing results and closed 15 lower at 361p, a two-day fall of 27, but **CALA** hardened 3 to 126p following good interim figures. Demand in restricted markets boosted **Asda** 5 to 410p and **Shield** 25 to 240p.

Doubled annual profits were a tonic for **Hugh Mackay**, up 12 at 165p, but lower mid-term earnings were a disappointment for **Sirdar**, which dropped 11 to 132p. **Dawson International** ran into profit-taking after recent strength and closed 9 off at 287p while selling of a similar nature brought **Corah** back 2½ to 80p Remaining Textile issues showed minor movements either way.

Favourable Budget treatment made little impact on **BAT Industries**, slightly easier at 519p, but **Rothmans International** jumped 7 late to 247p.

Investment Trust retained early gains, some ranging into double figures. **Moorgate**, 530p and **Electric and General**, 506p, were around 10 higher while **City and Foreign** added 7 at 198p. **British and Commonwealth** atracted fresh institutional demand and rose 8 more to 410p while **MAI** advanced 7 further to 533p, following comment on the good interim results.

Oils wer boosted by the Chancellor's proposals relating to Petroleum Revenue Tax and Wall Street's sharp overnight gain. With crude prices trading above the $18 a barrel level, leading issues got off to an extremely firm start and generally held the gains. **British Petroleum** closed 6 higher at 828p and **Shell** advanced ¾ to £12½. **LASMO** also traded firmly at 238, up 4, but profit-taking clipped 5 from recent favourite **Carless Capel** at 98½p. Press comment highlighting the company's yield attractions prompted fresh demand for **British Gas** which firmed 2 to 86p. Dealings in **North Sea and General** resumed at 45p compared with a suspension price of 23p following a circular detailing the link-up with Apex Oil.

In front of today's annual meeting, which could be a lively affair, **Lonrho** drifted easier to 270p. **Paterson Zochonis**, on the other hand, moved higher still and closed 5 up at 363p on further consideration of the interim statement.

Gold shares were in good form again although there was not much turnover in London. Dealers said that the chief factor in the market was the performance of the Rand, which opened strongly but ended below its best levels.

Producer stocks followed the same trend, to end with a range of small gains. The FT Gold Mines index added 2.9 to 344.3.

There was some demand for **De Beers** from the Continent as investors, having absorbed the recent results, began to take the bullish tack again.

Australian gold stocks also did well, following their own domestic markets as well as the general improvement in bullion. **Western Mining** set the stage for an overall improvement in the leaders.

Traded options

Overall contracts in Traded options expanded dramatically with 64,606 deals done compared with the previous day's 40,027. The FTSE contract registered 2,037 calls and 1,017 puts. **British Gas** were again active and recorded 9,460 calls and 1,231 puts. **Hanson Trust** totalled 6,097 calls and 1,130 puts.

Traditional Options

- First dealings March 16
- Last dealings March 27
- Last declaration June 25
- For Settlement July 6

For rate indications see end of Unit Trust Service

Stocks dealt in for the call included **Property Trust, Charterhall, Transwood, Astra Industrial, British Telecom, Grampian TV, Premier Consolidated, Redfearn Glass, J. Israel, Wheway, Cifer, Cosalt, Sterniguard, Pavion, Martin Ford, Wilson Bowden, Scottish TV, North Kalgurli, Blackwood Hodge, William Boulton, St Modwen, Commercial Union, Pentland, Amstrad, Valin Pollen, Chrysalis, BTR** and **A. Berry**. **Bestwood** were dealt in for the call, while a double option was arranged in **Charterhall**.

FINANCIAL TIMES STOCK INDICES

	Mar. 18	Mar. 17	Mar. 16	Mar. 13	Mar. 12	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	91.83	90.89	90.07	89.87	89.89	90.03	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.60	96.42	96.11	95.29	95.55	93.59	97.68 (7/7/86)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,589.5	1,586.9	1,576.6	1,583.9	1,578.0	1,389.5	1,613.5 (3/3/87)	1,094.3 (24/1/86)	1,613.5 (3/3/87)	49.4 (26/6/40)
Gold Mines	344.3	341.4	338.3	340.1	331.3	318.1	346.7 (5/3/87)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.68	3.68	3.70	3.69	3.71	3.91				
Earnings Yld.%(full)	8.54	8.53	8.59	8.56	8.60	9.31				
P/E Ratio (net) (*)	14.36	14.37	14.28	14.32	14.25	13.33				
SEAQ Bargains (5 pm)	52,571	39,866	49,571	48,407	46,032	—				
Equity Turnover (£m)	—	1,251.26	977.6041	1,342.341	1,438.921	1,093.06				
Equity Bargains	—	53,698	56,290	57,276	56,838	38,164				
Shares Traded (ml)	—	486.9	424.9	—	602.3	472.1				

S.E. ACTIVITY

Indices	Mar. 17	Mar. 16
Gilt Edged Bargains	181.4	166.5
Equity Bargains	347.9	364.7
Equity Value	2529.1	1976.0
5-Day Average		
Gilt Edged Bargains	181.4	186.8
Equity Bargains	365.2	370.7
Equity Value	2612.4	2645.4

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1594.5	1593.6	1591.7	1589.6	1586.7	1586.4	1590.2	1587.0

Day's High 1594.9. Day's Low 1584.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=15.83.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (242)

BRITISH FUNDS (9), LOANS (5), CANADIANS (5), BANKS (3), BREWERS (3), BUILDINGS (14), CHEMICALS (8), STORES (3), ELECTRICALS (13), ENGINEERING (12), FOODS (5), HOTELS (2), INDUSTRIALS (30), LEISURE (4), MOTORS (1), NEWSPAPERS (3), PAPER (8), PROPERTY (11), SHIPPING (2), SHOES (1), SOUTH AFRICANS (2), TEXTILES (4), TOBACCOS (1), TRUSTS (70), OILS (5), OVERSEAS TRADERS (3), PLANTATIONS (1), MINES (15).

NEW LOWS (8)

AMERICANS (4) Chase Manhattan, Citicorp, Conti. Illinois Corp., Manuf. Hanover, BANKS (1) Deutsche Bank, INSURANCE (1) Allianz AG, OVERSEAS TRADERS (1) GN Great Nordic, THIRD MARKET (1) Unit Group.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	5,000	155	−1	Ladbroke	2,300	448	+9
Allied Lyons	2,600	394	−5	Land Securities	6,950	379	—
Amstrad	12,000	188	+1	Legal & Gen.	1,300	311	+4
Assoc. Brit. Foods	5,300	359	+13	Lloyds Bank	1,500	487	−4
BAT	9,900	519	−3	Lonrho	1,200	270	−3½
BET	959	513	+½	MEPC	2,900	357	−2
BOC	1,000	437	+2	Marks & Spncr	7,400	228	−2½
BPB Inds	728	703	+14	Midland Bank	1,000	629	+1
BPCC	1,500	340	−10	NatWest Bank	1,900	602	+4
BTR	4,500	331	−8	Pearson	674	563	−8
Barclays	1,500	512	−7	P & O	446	620	−2
Bass	1,000	935	−13	Pilkington Bros	673	736	−7
Beecham	3,500	553	−4	Plessey	5,700	246	+5
Blue Circle	1,052	761	+3	Prudential	1,200	919	+26
Boots	6,800	287	−4	Racal	4,100	249	+4½
Brit. Airways	3,400	124	—	Rank Org.	2,100	709	+11
Brit. Aero	1,200	646	+2	RHM	1,800	317	—
Brit. Gas	77,500	86	+2	Reckitt & Col	325	980	−3
Britoil	8,900	222	—	Redland	1,100	474	+2½
BP	5,800	828	+6	Reed Intl	1,550	433	−1
Brit. Telecom	13,000	258	+9	Reuters	439	706	−7
Bunzl	1,100	228	−12	RMC	502	822	+2
Burton	2,500	306	−5	RTZ	801	717	−12
Cable & Wire	6,500	348	−5	Rowntree Mac	1,900	485	−2
Cadbury Schwps	3,800	242	+2	Ryl Bnk of Scotland	435	334	+1
Coats Viyella	775	576	−8	Royal Insurance	2,500	984	−5
Comm. Union	1,900	322	—	STC	1,500	251	+1
Cons. Gold	1,500	847	+8	Saatchi & Saatchi	421	669	−1
Cookson	132	575	+1	Sainsbury	6,100	496	+11
Courtaulds	2,900	407	+7	Scott & Newcastle	2,000	242	−3
Dee Corpn	7,000	232	−2	Sears	2,700	137½	−½
Dixons Grp	6,100	385	+4	Sedgwick	851	307	−9
English China Clays	452	418	−½	Shell Trans.	4,400	£12½	+¾
Fisons	1,000	640	+½	Smith & Nephew	3,300	162½	−5
Gen. Accident	269	954	+1	Standard Chart	680	777	+17
Gen. Elect.	10,000	216	+5	Storehouse	3,200	308	−1
Glaxo	4,600	£15¾	−⅛	Sun Alliance	379	777	−11
Globe Investment	1,100	154½	+2	TSB	16,000	83¾	+4½
Granada	3,000	333	+4	Tarmac	2,100	540	+12
Grand Met	5,896	482	−7	Tesco	2,000	484	−1
Gas "A"	441	£12⅞	−⅛	Thorn EMI	3,800	620	+11
Guardian R.E.	331	924	+1	Trafalgar House	6,100	351	+16
GKN	2,100	331	+1	T'house Forte	4,600	220½	+2½
Guinness	6,100	319	−1	Unigate	473	383	−1
Hammerson Prop	475	480	−10	Unilever	197	£25⅝	−⅛
Hanson Trust	10,937	167	−4	United Biscuits	9,300	278	+1
Hawker Sidd	1,100	529	+12	Wellcome	4,300	461	−36
Hillsdown Hlgs	2,800	275	−2	Whitbread 'A'	1,500	333	−6½
ICI	2,600	£12 11/16	−7/16	Willis Faber	347	429	−5
Imp. Cont. Gas	274	723	—	Woolworth	1,100	821	−7
Jaguar	2,400	561	−9				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	112	0	1
Corporations, Dominion and Foreign Bonds	25	1	43
Industrials	448	531	559
Financial and Properties	204	143	240
Oils	31	28	53
Plantations	2	1	11
Mines	70	38	72
Others	65	78	55
Totals	957	820	1,034

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Mar 18 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Tues March 17 Index No.	Mon March 16 Index No.	Fri March 13 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (208)	861.95	+0.3	7.41	3.06	17.10	2.16	859.35	855.09	855.74	713.91
2 Building Materials (27)	1052.73	+0.6	7.43	3.11	16.92	0.72	1046.51	1036.35	1038.26	802.67
3 Contracting, Construction (29)	1489.04	+0.3	6.82	3.17	20.11	2.68	1485.32	1483.65	1493.45	1139.80
4 Electricals (12)	2108.81	−0.3	7.15	3.72	17.96	1.39	2115.26	2102.29	2101.15	1949.07
5 Electronics (38)	1953.82	+1.5	7.61	2.29	17.35	10.41	1924.10	1912.42	1908.04	1622.44
6 Mechanical Engineering (60)	481.44	+0.2	8.29	3.49	15.39	1.04	480.50	479.52	480.04	408.37
8 Metals and Metal Forming (7)	456.66	+0.5	7.93	3.36	15.31	0.00	454.33	448.41	449.35	325.87
9 Motors (15)	326.35	+0.3	8.45	3.32	13.64	0.88	325.54	324.84	325.65	291.38
10 Other Industrial Materials (20)	1462.35	−1.6	6.09	3.41	19.62	2.64	1485.38	1481.67	1481.50	1303.43
21 CONSUMER GROUP (187)	1182.63	−0.7	6.19	2.70	20.77	2.51	1190.58	1179.66	1189.37	924.12
22 Brewers and Distillers (22)	1087.64	−1.2	7.86	3.19	16.01	3.55	1100.55	1088.05	1097.42	948.42
25 Food Manufacturing (25)	880.07	+0.1	7.61	3.31	17.26	2.21	879.36	876.04	880.80	662.64
26 Food Retailing (16)	2174.31	+0.5	5.80	2.55	23.93	9.65	2162.77	2142.22	2159.53	1889.79
27 Health and Household Products (10)	2361.92	−1.8	4.02	1.62	28.83	0.28	2406.01	2370.44	2378.24	1553.20
29 Leisure (32)	1215.30	+1.0	6.18	3.43	21.33	8.26	1202.98	1195.58	1193.09	935.71
31 Packaging & Paper (14)	594.88	−1.7	5.93	2.85	21.89	0.56	604.92	599.42	597.57	459.54
32 Publishing & Printing (14)	3635.98	−0.7	5.58	3.15	23.03	3.41	3663.03	3662.87	3661.75	2313.56
34 Stores (37)	1007.62	−0.8	6.44	2.70	21.12	1.25	1015.45	1006.32	1032.03	894.33
35 Textiles (17)	681.98	−0.2	7.65	2.98	15.04	0.17	683.53	677.64	670.98	545.52
40 OTHER GROUPS (87)	972.22	+0.1	8.11	3.48	15.30	3.78	971.51	968.34	971.61	829.47
41 Agencies (17)	1398.73	−0.4	4.44	1.77	30.49	3.33	1404.36	1410.65	1411.22	0.0
42 Chemicals (21)	1191.50	−2.2	8.26	3.69	14.78	15.74	1217.80	1223.86	1230.46	912.97
43 Conglomerates (12)	1283.10	−0.9	6.82	3.43	17.34	2.00	1294.36	1289.85	1312.54	0.0
45 Shipping and Transport (11)	1961.92	−0.3	6.84	4.09	17.71	0.00	1968.18	1971.05	1984.62	1624.43
47 Telephone Networks (2)	996.00	+2.6	9.39	3.87	14.52	1.09	970.37	961.53	963.18	993.09
48 Miscellaneous (24)	1328.38	−0.1	9.14	3.17	12.33	3.23	1329.84	1318.56	1307.51	1021.51
49 INDUSTRIAL GROUP (482)	1054.61	−0.2	7.01	3.00	18.07	2.84	1057.02	1050.10	1055.42	855.17
51 Oil & Gas (18)	1804.20	+1.1	9.40	5.00	13.45	19.18	1784.65	1757.10	1756.05	1159.63
59 500 SHARE INDEX (500)	1117.84	—	7.35	3.28	17.23	4.27	1118.31	1109.60	1114.34	883.03
61 FINANCIAL GROUP (117)	686.45	+0.1	—	4.24	—	5.01	685.43	683.79	681.76	611.52
62 Banks (8)	732.21	+0.4	18.07	5.22	7.60	12.84	729.37	726.45	725.30	676.68
65 Insurance (Life) (9)	994.82	+1.5	—	3.90	—	0.00	979.73	969.54	969.67	874.24
66 Insurance (Composite) (7)	541.18	−0.3	—	4.39	—	2.02	543.08	542.79	544.11	492.08
67 Insurance (Brokers) (9)	1165.96	−1.8	8.49	4.54	15.37	13.35	1187.21	1177.94	1177.17	1228.81
68 Merchant Banks (11)	365.18	−0.7	—	3.41	—	0.02	367.85	366.90	366.84	353.12
69 Property (47)	901.59	−0.4	5.33	3.28	24.44	0.96	905.17	910.97	898.77	735.76
70 Other Financial (26)	454.59	+0.7	7.19	3.37	17.78	1.86	451.45	451.03	448.54	351.08
71 Investment Trusts (96)	979.76	+0.3	—	2.40	—	4.06	976.75	972.24	972.66	742.46
81 Mining Finance (2)	381.43	−0.5	8.03	4.31	14.64	1.89	383.41	384.50	384.20	315.43
91 Overseas Traders (12)	904.45	−0.1	8.99	4.95	13.47	10.04	905.64	902.45	893.96	673.69
99 ALL-SHARE INDEX (727)	1001.02	—	—	3.41	—	4.42	1001.08	994.35	997.23	803.86

	Index No.	Day's Change	Day's High	Day's Low	March 17	March 16	March 13	March 12	March 11	Year ago
FT-SE 100 SHARE INDEX ‡	2006.6	+0.3	2019.0	2004.1	2006.3	1991.8	2000.0	1989.7	1979.4	1653.9

FIXED INTEREST

PRICE INDICES	Wed March 18	Day's change %	Tues March 17	xd adj. today	xd adj. 1987 to date
British Government					
1 5 years	125.21	+0.73	124.31	—	1.92
2 5-15 years	146.15	+1.15	144.48	—	2.69
3 Over 15 years	155.46	+1.34	153.41	—	3.09
4 Irredeemables	171.84	+1.34	169.56	—	1.62
5 All stocks	141.87	+1.06	140.39	—	2.50
Index-Linked					
6 5 years	119.43	+0.16	119.25	—	0.83
7 Over 5 years	122.31	+0.79	121.35	—	0.88
8 All stocks	121.86	+0.70	121.02	—	0.86
9 Debentures & Loans	126.81	+1.87	124.48	—	1.57
10 Preference	87.19	+1.69	85.74	—	0.68

AVERAGE GROSS REDEMPTION YIELDS	Wed March 18	Tues March 17	Year ago (approx.)
British Government			
1 Low Coupons 5 years	8.02	8.25	8.44
2 15 years	8.72	8.87	8.75
3 25 years	8.73	8.88	8.76
4 Medium Coupons 5 years	8.85	9.07	9.52
5 15 years	8.85	9.06	9.14
6 25 years	8.85	9.06	9.04
7 High Coupons 5 years	8.85	9.17	9.51
8 15 years	9.06	9.20	9.29
9 25 years	8.91	9.02	9.14
10 Irredeemables †	8.76	8.88	8.77
Index-Linked			
11 Inflat'n rate 5% 5 yrs	2.49	2.58	4.29
12 Inflat'n rate 5% Over 5 yrs	3.32	3.37	3.81
13 Inflat'n rate 10% 5 yrs	0.92	1.00	3.18
14 Inflat'n rate 10% Over 5 yrs	3.18	3.22	3.65
15 Debs & Loans 5 years	9.57	9.87	10.31
16 15 years	9.86	10.13	10.28
17 25 years	9.91	10.15	10.09
18 Preference †	10.78	10.97	11.49

‡ Opening index 2017.0; 10 am 2017.2; 11 am 2014.6; Noon 2012.2; 1 pm 2008.1; 2 pm 2006.5; 3 pm 2012.4; 3.30 pm 2008.6; 4 pm 2007.1

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

WORLD STOCK MARKETS

AUSTRIA

GERMANY

NORWAY

AUSTRALIA (continued)

JAPAN (continued)

BELGIUM/LUXEMBOURG

SPAIN

DENMARK

SWEDEN

HONG KONG

ITALY

FINLAND

SWITZERLAND

JAPAN

SINGAPORE

FRANCE

NETHERLANDS

AUSTRALIA

SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices March 18

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices March 18

Indices

NEW YORK—DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

RISES AND FALLS

TORONTO	Mar 18	Mar 17	Mar 16	Mar 13	1987 High	1987 Low
Metals & Minls	2,620.8*	2,594.4	2,528.1	2,574.6	2,595.7 (6/3/87)	1,917.4 (5/1)
Composite	3,707.9*	3,733.9	3,522.3	3,697.1	3,733.9 (17/3/87)	2,784.8 (17/2)
MONTREAL Portfolio	1,888.35*	1,858.1	1,825.5	1,831.5	1,858.1 (17/3/87)	1,386.6 (22/1/87)

* Indicates pre-close figure

	Mar. 18	Mar. 17	Mar. 16	Mar. 13	1986/87 High	1986/87 Low
SOUTH AFRICA JSE Gold (28/9/78)	—	1809.0	1829.6	1857.0	2121.9 (15/1/87)	1189.1 (21/4)
JSE Indust (28/9/78)	—	1878.0	1857.0	1838.5	1878.0 (17/3/87)	1018.3 (2/1/86)
SPAIN Madrid SE (30/12/85)	259.66	261.52	254.18	250.87	255.95 (25/2/87)	100.55 (3/1/86)
SWEDEN Jacobson & P (31/12/56)	2531.55	2587.27	2586.85	2482.8	2872.79 (7/1?)	1728.57 (29/1/86)
SWITZERLAND Swiss BankCpn (31/12/58)	589.6	587.8	589.7	586.4	616.8 (9/5/87)	467.2 (4/9/86)
WORLD MS. Capital Intl. (1/1/70)	—	425.5	420.8	421.0	425.6 (17/3/87)	249.8 (25/1/86)

** Saturday March 14: Japan Nikkei (c). TSE (c).

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSC Industrials—264.3, and Australia. All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Phillips Pet	4.09m	15⅝	+ ⅛	AM Express	2.12m	78⅞	+ 1¼
Uax Corp	3.67m	27⅞	+ 1¼	Salomon Inc	2.85m	39⅞	− ⅜
Schlumb	2.46m	39⅞	+ ½	ATT	1.86m	23⅛	− ⅛
Guy Pets	2.41m	33	+ ⅞	Oak Ind	1.65m	1⅝	+ ⅛
Bristol MY	2.20m	106½	+ 6⅞	IBM	1.53m	146	− 1⅞

Advances 592 Declines 912

TOKYO – Most Active Stocks

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Nippon Steel	385.39m	325	+ 3	Mitsubishi Heavy Ind.	63.72m	633	+13
Sumitomo Metal Ind.	181.89m	256	unch	Tokyo Gas	77.48m	1 269	+29
Kawasaki Steel	147.38m	258	+ 1	Ishikawajima-Harima	64.64m	533	− 5
Kobe Steel	125.13m	322	+ 6	Mitsubishi Electric	52.89m	670	+24
Nippon Kokan	98.11m	276	− 6	Nisshin Steel	51.25m	266	+ 6

LONDON – Most Active Stocks

Wednesday, March 18, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Brit Gas	77.50m	66	+ 2	Gen Elect	10.[illegible]m	216	+ 5
TSB	38.00m	83¼	+ 4½	BAT	9.90m	519	− 3
Brit Telecom	13.89m	258	+ 9	Hard Biscuits	9.30m	278	+ 1
Amstrad	12.80m	188	+ 1	Dalgety	8.90m	222	unch
Hanson Tr.	10.90m	167	− 4	Mrks & Spncr	7.46m	228	− 2½

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 41

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:			FALLS:		
Tr. 10pc Cnv. '91	£108²⁹⁄₃₂	+ 2⅝	BPCC	340	−10
Abbeycrest	200	+14	Birmid Qualc	217	− 9
BPB Inds.	703	+14	Bulmer (H.P.)	184	−13
Brit. Telecom.	258	+ 9	Bunzl	228	−12
Cowie (T.)	408	+10	Central TV	569	−17
Fields (Mrs.)	201	+10½	Dawson Intl.	287	− 9
Glynwed Intl.	412	+10	ICI	£12¹¹⁄₁₆	− ⅟₁₆
Lucas Inds.	600	+12	Laing Props.	361	−15
Mackay (Hugh).	185	+12	London Intl.	287	−21
Prudential	919	+26	Sirdar	132	−10½
Rank Org.	709	+11	Turn & Newall	230	−11
Rothmans	247	+ 7	Wellcome	461	−36
Sainsbury (J.)	496	+11	Whitbread A	333	− 6½
Tarmac	540	+12			
Thorn EMI	620	+11			
Trafalgar Hse	351	+16			
Watmoughs	365	+15			

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33	20⅛	AAR s	.50	1.6	23	253	32⅛	31¾	31¾	−⅛
37	21⅞	ADT	.92	2.5	21	745	37	36⅜	36½	−⅛
41½	23⅝	AFG	.12e	.3	12	3136	41¼	39½	39⅝	−1⅝
40¼	16¾	AGS			22	825	37¼	36½	37¼	+⅞
15	6¾	AMCA				54	8¼	8⅛	8¼	+⅛
9⅜	4⅞	AM Intl				1705	8⅝	8⅜	8⅜	−¼
62⅞	47¼	AMR			12	10314	55⅞	54⅜	54⅞	−1⅜
24¾	20½	ANR pf2.12		8.7		4	24⅜	24¼	24⅜	+½
12⅞	8	ARX s			13	42	10⅞	10⅝	10¾	−⅛
49½	28¾	ASA	2a	4.2		479	47⅞	46¾	47⅛	−½
17⅜	9¾	AVX		2.0		973	16¼	15¾	15¾	−⅛
32¾	26½	AZP	2.72	8.6	10	1604	32⅛	31½	31⅝	−¼
63⅜	38⅛	AbtLb s	1	1.6	27	2841	62⅜	61¼	61⅞	+⅝
34	25	AccoWd .62		1.9	20	85	32	31¼	31⅞	+⅞
14⅛	9	AcmeC .40		3.1	24	213	13⅛	12¾	12⅞	−¼
9	6⅛	AcmeE .32b		4.0	28	37	8	7¾	8	
23⅞	18⅝	AdaEx 3.42e		15.		83	22¼	21¾	22¼	+⅜
19½	11⅜	AdmM s .24		1.3	15	36	19	18⅝	18¾	+⅜
21½	12⅞	AdvSys .62t		3.0	16	157	21	21	21	
31⅞	12⅞	AMD				3633	21¾	20⅝	20⅞	−⅝
10⅛	5¼	Adobe				2852	9⅞	9¼	9¾	+½
20	13¾	Adob pf1.84		9.2		73	u20½	20	20	+¼
21⅞	16⅝	Adob pf2.40		11.		3	21⅜	21⅜	21⅜	+¼
18⅜	11½	Advest .12a		.9	10	175	13¼	12⅞	13	+⅛
68¼	53	AetnLf 2.76		4.1	11	4375	67⅜	66⅜	66⅞	−⅛
54	51⅛	AetL pf2.81e		5.5		21	51¾	51½	51½	−¼
101½	87¼	AetL pfC4.78e		5.1		2	94	94	94	+⅝
50¾	21⅞	AflPb s .32		.7	26	148	49⅞	48¾	48⅞	+¼
28¾	18⅞	Ahmns s .88		3.4	8	5888	26½	25¾	26⅛	−⅜
5¾	2⅞	Aileen				48	4⅛	3⅞	4	
46½	29⅛	AirPrd s .80		1.8	370	1672	44⅝	43⅞	44⅜	+½
35¼	18	AirbFrt .60		1.8	15	430	33½	32⅜	33¼	+⅜
11⅝	7⅜	Airgas n				84	10¼	10	10¼	+⅜
20⅜	17⅛	Airlse n.49e		2.6		48	19⅛	18⅞	19	
17-32	¼	AiMoan				26	7-16	13-32	13-32	−1-32
28	25⅜	AlaP pf1.82e		6.9		212	26½	26⅜	26½	
10¾	8⅞	AlaP dpf.87		8.3		372	10½	10½	10½	

Continued on Page 41

NYSE COMPOSITE CLOSING PRICES

Continued from Page 40

X Y Z

74⅛	48⅝	Xerox	3	4.1	19	3634	74½	72⅝	73⅛	+¾
58¼	55	Xerox pf5.45		9.7		377	56	55½	56	
28¾	21½	XTRA	.64	2.5		246	26⅜	25⅞	26	+¼
20¾	13½	Yorkin n			23	39	20¼	20	20⅛	+⅛
6	2¼	Zapata				3080	4	3½	4	+⅜
43⅞	20¾	Zayre s	.32	1.1	20	3821	31	30⅝	30⅝	+¼
14¾	8¾	Zemex	.40	3.0	9	28	13½	13¼	13½	+⅛
29⅞	16⅞	ZenithE				1674	25	24½	24⅝	−⅛
18¼	8	ZenLb s			72	2281	11¾	11⅜	11½	−¼
22	12⅝	Zero	.36	1.9	20	35	19⅛	18⅞	18⅞	−⅛
51	32¾	Zurnin	1.32	2.6	20	57	50¼	50	50⅛	+⅛
10⅝	8¾	Zweig n.10e		1.0		1746	9⅞	9⅝	9⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 39

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Profit-taking fails to curb another high

WALL STREET

DESPITE Losing almost all their morning gains to profit taking in edgy and heavy, roller coaster trading, Wall Street stock prices managed to inch ahead to another record yesterday, *writes Roderick Oram in New York.*

Credit markets were similarly volatile, with the benchmark Treasury long bond giving up its one point gain during the afternoon despite favourable economic news such as lower oil prices and a downward revision in fourth quarter gross national product.

The Dow Jones industrial average closed up 2.13 points at a record 2,286.93 after spending most of the afternoon below its previous close. It failed in two attempts during the day to hold above 2,300, a psychologically important level since a number of analysts predicted stock prices would suffer a correction when they hait that mark.

Stocks suffered downward pressure all afternoon from stock index futures which were trading at a discount to the underlying shares. This triggered some arbitrage trading with investors selling stocks and buying the relatively cheaper indices. The markets remained nervous about the potential for highly volatile trading surrounding the quarterly expiration tomorrow of various futures and options contracts.

Like the Dow, broader market indices squeaked ahead to records. The *Standard & Poor's 500* edged up 0.31 of a point to 292.78, and the New York and American stock exchange composite indices added 0.23 to 166.64 and 1.80 to 337.04 respectively.

NYSE volume expanded to 198.1m shares from 175.6m on Tuesday with advancing issues barely outnumbering those declining by 797 to 759.

Among the Dow Industrials, American Express gained $⅝ to $78½ on rumours it was about to sell 10 per cent of its Shearson Lehman brokerage firm, possibly to Japanese interests.

Oil stocks had continued to rise strongly during the morning but succumbed to profit taking during the afternoon as oil prices turned lower. Exxon added $1 to $85¾, Chevron gained $1¼ to $56⅞, Atlantic Richfield fell $¾ to $78, Amoco dipped $⅜ at $79⅞, Standard Oil gave up $⅞ to $63¾ and Phillips Petroleum was up $⅛ at $15⅝ on heavy volume of more than 4.4m shares.

Similarly, early gains by technology stocks were partially or fully lost later in the session. IBM fell $⅞ to $146¾, Digital Equipment lost $1 to $165⅛, Unisys advanced $1⅞ to $105⅛, Motorola was up $2⅛ to $54⅞, National Semiconductor edged up $¼ to $16⅝ and Intel put on $⅛ to $38¼.

GenCorp leapt $16 to $106½ after receiving a takeover offer of $100 a share from an investment group which declared a stake of 9.8 per cent. The group is led by AFG Industries and Wagner & Brown which together tried to take over Lear Siegler last year. GenCorp has interests in rubber, plastics and broadcasting.

Bristol Myers jumped $4⅝ to $107. It asked the government for permission to test its Aids vaccine on humans. Some other drug stocks followed it higher. Squibb added $¼ to $159⅞, Pfizer gained $½ to $74⅞, Abbott Laboratories put on $⅝ to $61⅞ although Merck fell back $1⅝ to $159 after rising $5¼ on Tuesday.

Home Shopping Network dropped $2½ to $21 on the American Stock Exchange after its opening was delayed by an order imbalance. It had no comment on a newspaper report that the Securities and Exchange Commission was investigating the sharp run up its stock price in January before it announced it was negotiating to take over COMB, a rival in shopping by television. The merger was subsequently aborted and the Home Shopping Network's shares fell sharply. In the past year they have traded as high as $47.

Credit markets gave up early gains and resumed its drifting despite the firmness of the dollar and a downward revision, as expected, of fourth quarter gross national product.

The price of the 7.50 per cent benchmark Treasury long bond had been up ⅛ of a point by early afternoon but finished the session down ⅛ on the day at 99⅞ at which it yielded 7.50 per cent.

The real rate of fourth quarter GNP growth was revised down to 1.1 per cent from 1.3 per cent, mainly because of a larger fall in inventories than first estimated. This could indicate that the relatively strong performance of the economy in the first two months of this year was driven to some extent by inventory rebuilding rather than an increase in final demand.

CANADA

THE STRONG rise on Wall Street gave an added boost to Toronto, taking share prices sharply higher again from the start in very active trading encouraged by optimism about the economy and hopes of lower interest rates.

The index, which advanced 60 points on Tuesday through the 3,700 level for the first time, was again led higher by energy and mining shares.

Firmer oil prices helped both Imperial Oil and Shell Canada to a C$1½ gain to C$69⅝ and C$41⅞.

In the mining sector, Alcan, which may be making a share issue, added C$1.00 to C$50⅝. Noranda was C$½ higher at C$31¼ and Dome Mines up C$⅛ to C$15⅝.

Montreal was also higher across the board.

Partial privatisation programme in Sweden to raise SKr 1bn

Procordia is groomed for public debut

THE SWEDISH Government is today expected to approve the partial privatisation of Procordia, the state holding company in a move which will pave the way later this year for the country's biggest-ever domestic equity issue.

Procordia, one of the 20 largest companies in Sweden, is planning to raise around SKr 1bn ($156m) in new equity capital, which will effectively reduce the state's holding to around 81 per cent.

The move follows a similar successful partial privatisation of PKbanken, the country's third-largest commercial bank in 1984, and the reduction announced late last year in the state's holding in Svenska Stal (SSAB), Sweden's commercial steel producer.

The Swedish Government has not committed itself to a wholesale privatisation programme in the style of the UK and France but has opted to open up some state concerns for private capital in order to avoid further pressure on the state budget.

The bill on the partial privatisation of Procordia is expected to be presented to the Riksdag (parliament) on March 31 and should be approved before the summer.

Depending on market conditions the share issue would take place in the second half of 1987, Mr Per Tegner, assistant under-secretary in the Ministry of Industry and a member of the Procordia board said yesterday.

Around 40 per cent of the new issue has been ear-marked for four institutions, Skandia, the insurance group, SPP, the white-collar workers pension fund, S-E Banken's pension fund and the national pension fund.

Their guaranteed stake in the Procordia flotation is part of the price extracted from the Government in December for the four institutions' agreement to take over a one-third holding in SSAB, the struggling steel group.

BY KEVIN DONE IN STOCKHOLM

The Government is also planning to seek a stock market listing for the steel group at the beginning of the 1990s if its profitability can be restored by an ambitious restructuring plan announced earlier this year.

Around 60 per cent of the Procordia issue will be offered to employees, other institutions and private investors.

Procordia had a turnover last year of SKr 15.29bn, an increase of 22.9 per cent from SKr 12.44bn in 1985. On a comparable basis sales increased by around 10 per cent, but group turnover was boosted by the acquisition of Pripps, the leading Swedish brewery group which controls more than 50 per cent of the Swedish beer market.

According to figures released this week group profits (after financial items) last year jumped by 23 per cent to SKr 901m from SKr 733m a year earlier.

Procordia's main operating areas are consumer products, services, chemicals and pharmaceuticals, engineering, and publishing. It operates a chain of hotels, is in personal and office security through its ABAB subsidiary, it is Sweden's leading brewer and cigarette producer, and last year Kalmar Industries, its engineering subsidiary, took over Coventry Climax, the troubled UK forklift truck maker.

Most of the group's profits comes from the Swedish tobacco company, which last year accounted for SKr 844m of total group operating profits of SKr 998m.

The tobacco company is the only domestic cigarette producer and has 87 per cent of the Swedish market. It is the world's leading manufacturer of smokeless tobacco products following its acquisition in 1985 of Pinkerton Tobacco of the US, the maker of snuff and chewing tobacco, and with Borkum Riff it has one of the world's leading international pipe tobacco brands.

The Swedish state holding company changed its name to Procordia at the end of 1984 as part of the shake-up of Swedish state-controlled industries.

EUROPE

Paris and Milan stride ahead

THE OVERNIGHT records in Tokyo and Wall Street galvanised sentiment on some of the European bourses yesterday as others preferred to concentrate on more urgent, domestic factors.

Paris made good progress as sentiment was buoyed by Wall Street's peak, the latest Bank of France survey on industrial output, which is expected to stage a short-term recovery after a February downturn.

The report indicated that demand for French exports, particularly from within the EEC, had risen and that the capital goods and car sectors were expected to record stronger order books while food and other consumer goods sectors were likely to show less growth because of a fall in domestic demand.

In the stock market, Matra put on one of the best showings with its FFr 125 jump to FFr 2,565 while Source Perrier gained FFr 28 or 3.6 per cent to FFr 806.

The building sector bristled with activity: Bouygues advanced FFr 48 to FFr 1,285 and Poclain gained a fresh, 95 centimes to FFr 37.10. Screg majority controlled by Bouygues, scored a FFr 21 rise to FFr 641 on forecasts of a return to profitability for its road building and public works unit.

Milan continued to gain momentum on renewed institutional short-covering and foreign demand. Late profit-taking was readily absorbed.

The bullish mood has been encouraged by growing hopes of a new government emerging soon and receding prospects of an early general election.

Fiat, a focus of much market activity earlier in the week, rose again with a L190 gain to L12,840.

Blue chip industrials found more support with Montedison up L55 to L2,745 and Pirelli L80 higher at L7,160.

Financials were also strong: Mediobanca led banks with its L800 gain to L256,100 while insurer Ras added L580 to L61,100.

Amsterdam was encouraged by the more stable dollar and the brisk gains in early Wall Steet trading. Internationals regained their poise after the uncertainty displayed on Tuesday and closed broadly higher: Akzo gained Fl 2.30 to Fl 144.80, Unilever surged Fl 7.50 to Fl 551 and Royal Dutch jumped Fl 5.20 to Fl 240.80.

Frankfurt remained in a backwater as investors found little comfort in domestic economic and corporate news.

The Commerzbank index lost 10.9 to 1,681.6 as sentiment remained fragile over the VW currency fraud.

Among banks, Deutsche Bank hit a low for the year with a DM 9 decline to DM 816.50 while insurer Allianz lost DM 4 more to DM 1,580.

VW was also brighter with a 50 pfg rise to DM 333.50 while Daimler tumbled DM 17 to a low for the year of DM 896.

Deutsche Babcock, which set a price of DM 165 on its new shares, held steady at DM 226.

Bond prices surged on expectations of a stronger D-Mark. Longs added up to ½ point on foreign demand. The Bundesbank sold DM 76.1m worth of paper after buying DM 114.5m on Tuesday.

Brussels remained firm, Stockholm advanced with strong interest in Stora, up SKr 10 to SKr 330, Zurich was higher on blue chip demand and Oslo was buoyed by firm oil shares as Norsk Hydro added NKr 16 to NKr 180.

LONDON HIGH

UK markets responded to the prudent tone of the budget with good gains among gilts but a tempered reaction among equities. The FT-SE 100 index edged 0.3 to a new peak of 2,006.6 after an initial rise of over 12 points while the FT Ordinary added 2.6 to 1,589.5.

Only oils, supported by rekindled optimism on crude prices, could sustain early gains.

Gilts were higher on domestic and foreign demand with longs up another full point. Disappointment with the smaller-than-expected base rate cut proved temporary. Details Page 38

SOUTH AFRICA

GOLD SHARES in Johannesburg found limited bargain-hunting support at their low levels but still ended mainly easier under continued pressure from the strong financial rand, which is hitting foreign buying.

Buffelsfontein, however, managed a 50 cent gain to R74.50, while Driefontein was steady at R65.50 and Vaal Reefs closed R2 down at R337.

Other mining shares also eased, with Rustenburg Platinum losing R1.25 to R45 and De Beers off 25 cents to R38.25.

In mixed to firmer industrials, SA Breweries added 25 cents to R17.50 while Barlow Rand eased 15 cents to R20.85.

ASIA

Nikkei peaks on record volume

TOKYO

BUYING INTEREST in large-capital stocks gathered momentum in Tokyo yesterday, sending share prices to yet another all-time high, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average gained 190.33 from the previous day to 21,705.06. Volume reached a peak 2.52bn shares compared with 1.94bn shares on Tuesday. Advances led declines by 474 to 432, with 124 issues unchanged.

Strong buying enthusiasm was sparked by Wall Street's overnight advance to a record.

Market buy orders placed at the start totalled a record 500m shares, surpassing the previous peak of 470m shares reached on March 27 last year.

Investors traded large-capital steels, shipbuildings and chemicals actively to earn short-term capital gains. Nippon Steel topped the active list with 385.39m shares changing hands and closed Y3 higher at Y325 after moving between Y325 and Y335.

Sumitomo Metal Industries ended at Y255, unchanged from the previous day, while Kawasaki Steel rose Y1 to Y256. But Kobe Steel fell Y8 to Y392 and Nippon Kokan Y5 to Y275.

Sumitomo Metal was the second busiest issue with 181.99m shares traded, Kawasaki Steel third with 147.36m, Kobe Steel fourth with 125.13m and Nippon Kokan fifth with 90.11m.

Among AIDS-related stocks, Cosmo Oil soared Y70 to Y630 and Morinaga Milk Industry Y68 to Y950. Japan Synthetic Rubber registered a maximum allowable single-day gain of Y100 to Y825. But Ajinomoto, a leadings AIDS-related stock, shed Y60 to Y3,500.

Construction issues were cheaper, with Taisei Corp losing Y20 to Y1,050.

Blue chips were also weak. NEC and Toyota Motor dropped Y20 and Y10 to Y1,850 and Y1,790, respectively.

After a weak start, bond prices turned higher, bolstered by heavy buying from city, regional and trust banks.

The benchmark 5.1 per cent government bond, maturing in July, came under selling pressure in early trading, with its yield rising to 4.580 per cent from 5.505 per cent at the close of Tuesday's trading.

Later, however, city, regional and trust banks placed buy orders in lots of between Y3bn and Y10bn, while dealers stepped up buying. This pushed down the yield on the benchmark issue to 4.555 per cent at the close.

HONG KONG

FOREIGN and local buyers moved back into Hong Kong in strength after the recent sell-off and lifted the Hang Seng index into its biggest one-day surge in 14 years. It climbed steadily from the start to close up 94.73 at 2,724.01.

The more broadly-based Hong Kong index advanced 60.01 to 1,748.22. Cathay Pacific, which reported a 58.7 per cent rise in 1986 profits and forecast another good performance in 1987, added 10 cents to HK$6.10.

AUSTRALIA

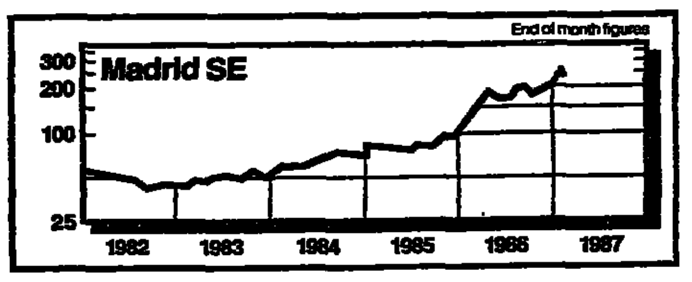
STRONG gold shares led Sydney higher across the board as the market took courage from a combination of firmer bullion and oil prices, gains by London, Wall Street and Tokyo and lower domestic money market rates.

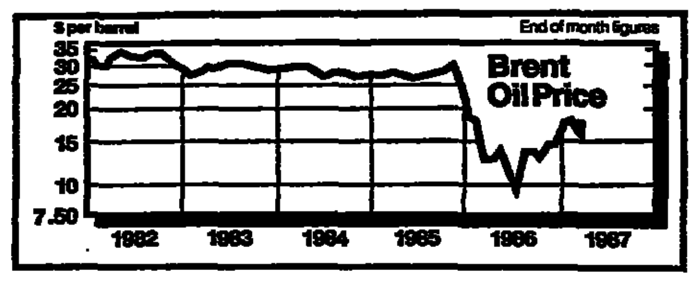
The All Ordinaries index rose 9.8 to 1,639.0, while the gold index added a further 14.4 to 2,385.2 in heavy trading.

SINGAPORE

RESUMED buying and bargain-hunting lifted Singapore out of its five-day decline and pushed the Straits Times industrial index up 16.84 to 1,027.91 in heavier trading.

KEY MARKET MONITORS





STOCK MARKET INDICES

	Mar 18	Previous	Year ago
NEW YORK			
DJ Industrials	2,290.48*	2,284.80	1,789.87
DJ Transport	939.68*	938.35	802.75
DJ Utilities	216.32*	217.12	186.50
S&P Comp.	293.08*	292.47	235.78
LONDON FT			
Ord	1,589.5	1,586.9	1,389.5
SE 100	2,006.6	2,006.3	1,644.4
A All-share	1,001.02	1,001.08	803.86
A 500	1,117.84	1,118.31	883.08
Gold mines	344.3	341.4	318.1
A Long gilt	8.91	9.02	9.57
TOKYO			
Nikkei	21,705.06	21,514.73	14,639.5
Tokyo SE	1,874.80	1,857.75	1,168.40
AUSTRALIA			
All Ord.	1,639.2	1,629.4	1,124.6
Metals & Mins.	811.3	805.7	550.8
AUSTRIA			
Credit Aktien	201.73	203.00	235.80
BELGIAN SE	4,498.06	4,481.04	3,382.70
CANADA			
Toronto			
Met.& Mins.	2,620.6*	2,584.5	2,343.0
Composite	3,767.0*	3,733.0	2,984.2
Montreal			
Portfolio	1,880.28*	1,859.94	1,530.66
DENMARK SE	198.24	199.90	237.83
FRANCE			
CAC Gen	442.90	438.81	325.6
Ind. Tendance	113.10	111.80	79.5
WEST GERMANY			
FAZ-Aktien	555.10	558.69	685.16
Commerzbank	1,681.60	1,692.50	2,073.3
HONG KONG Hang Seng	2,724.01	2,629.28	1,561.72
ITALY Banca Comm.	702.85	711.41	654.53
NETHERLANDS ANP CBS			
Gen	277.10	274.00	261.0
Ind	256.70	255.20	248.7
NORWAY Oslo SE	412.37	409.28	353.81
SINGAPORE Straits Times	1,027.91	1,011.07	570.29
SOUTH AFRICA JSE			
Golds	—	1,809.0	1,238.4
Industrials	—	1,676.0	1,180.1
SPAIN Madrid SE	230.66	231.52	148.90
SWEDEN J & P	2,531.65	2,507.27	1,956.10
SWITZERLAND Swiss Bank Ind	589.60	587.80	578.0
WORLD MS Cap. Int'l March 17	425.6	420.8	300.0

COMMODITIES (London)

	March 18	Prev
Silver (spot)	347.30p	350.65p
Copper (cash)	£907.00	£906.50
Coffee (May)	£1,265.00	£1,280.00
Oil (Brent)	$18.35	$18.375

GOLD ($/oz)

	March 18	Prev
London	$404.50	$405.00
Zürich	$404.50	$406.50
Paris (fixing)	$408.28	$408.44
Luxembourg	$405.60	$406.30
New York (April)	$406.00	$408.80

CURRENCIES (London)

	US DOLLAR Mar 18	US DOLLAR Previous	STERLING Mar 18	STERLING Previous
$	—	—	1.6060	1.5990
DM	1.8353	1.8395	2.95	2.94
Yen	151.82	151.95	244.0	243.0
FFr	6.1085	6.12	9.8125	9.785
SFr	1.5350	1.5385	2.47	2.46
Fl	2.0733	2.0690	3.3325	3.305
Lira	1,304.00	1,306.0	2,092.5	2,088.0
BFr	38.04	38.0	61.15	60.75
C$	76.175	1.3130	2.1085	2.1020

INTEREST RATES

	Mar 18	Prev
Euro-currencies (3-month offered rate)		
£	9⅝	9[illegible]
SFr	4⅛	4[illegible]
DM	4⅛	4⅛
FFr	8⅛	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	6⅞	6⅞
6-month US$	6⅞	6⅞
US Fed Funds	5[illegible] *	6⅛
US 3-month CDs	6.05 *	6.375
US 3-month T-bills	5.51 *	5.72

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
March	102-07	102-12	102-04	102-01
US Treasury Bills (IMM) $1m points of 100%				
June	94.53	94.56	94.52	94.50
Certificates of Deposit (IMM) $1m points of 100%				
March	-	-	-	93.97
LONDON				
Three-month Eurodollar $1m points of 100%				
March	93.61	93.63	93.59	93.56
20-year National Gilt £50,000 32nds of 100%				
March	126-04	126-00	125-18	124-08

US BONDS

Treasury

	March 18 Price	March 18 Yield	Prev Price	Prev Yield
6¾ 1989	99[illegible]	6.384	99[illegible]	6.384
7⅛ 1993	99[illegible]	7.000	99[illegible]	7.008
7⅛ 1996	100[illegible]	7.182	100[illegible]	7.191
7½ 2016	100	7.498	99[illegible]	7.505

Source: Harris Trust Savings Bank

Treasury Index March 18

Maturity (years)	Return Index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	March 18 Price	March 18 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	93.91	5.95	93.77	6.00
SCBT South Central 10⅞ Jan 1993	105.25	9.70	105.25	9.70
Phibro Sal 8 April 1996	100.00	8.00	100.00	8.00
TRW 8⅞ March 1996	103.50	8.19	103.50	8.19
Arco 9⅞ March 2016	113.25	8.62	113.00	8.64
General Motors 8⅛ April 2016	94.375	8.66	94.00	8.74
Citicorp 9⅞ March 2016	101.00	9.27	101.00	9.27

Source: Salomon Brothers

* Latest available figures

FINANCIAL TIMES SURVEY

As trading in futures and options sets volume records and new markets develop, the nature of users changes. Meanwhile, there is a growing threat to established exchanges from off-exchange trading, and regulators in different countries are increasingly aware of the need for greater co-operation.

Financial Futures and Options

Life on Liffe: where volume in futures on long-term UK government bonds grew 282 per cent last year. *Trevor Humphries*

CONTENTS

Agreement among rivals

IN THE WORLD of futures and options, matters rarely stand still for long. Indeed, its practitioners thrive on the rapid twists and turns of the markets.

So, as they gather today in Boca Raton, Florida, for the US Futures Industry Association annual convention, players, regulators and observers will be alert to key changes under way in the structure of the business.

As a result, they will probably see the need to squeeze a little serious talk between the boating and banquests—even if they do feel they have earned a little relaxation after another record year for business.

The futures markets in the US have always been marked by confrontation: there is intense competition between the players, often physical because of the boisterous atmosphere of the trading pits; there is fierce rivalry between exchanges; and there has been a constant duel with regulators, marked by assiduous oiling of the political wheels by the industry, which has disproportionate influence in Congress.

All these contests continue, but there are changes in the battle lines. The growth of financial products and the relative decline of commodities has altered the balance among the players. Exchanges have found themselves agreeing about things.

Behind these developments lie changes in the battleground itself. The growth of the financial futures and options markets has radically altered the nature of the markets' users and it was only a matter of time before they began to exert their clout so as to fashion the industry the way they want it.

Nowadays, the biggest users of futures are the big securities houses and banks. They need large, liquid markets in which they can trade cheaply, at any time, from any major financial centre around the world.

It is to their needs that exchanges are now increasingly responding, with a number of important implications for the industry as a whole:

- The biggest players, who have increasingly sophisticated trading strategies developed with the aid of computers, are not over-concerned about whether they trade on exchanges or not, particularly if some alternative instrument, traded elsewhere, provides the same or even a better, tailor-made function more cheaply. Hence the growing threat of off-exchange trading to established exchanges.
- These same players—securities firms and banks—are themselves caught up in a frantic competitive push to extend their global reach. Their aim is to provide their customers with investment services in any significant market around the world. Hence the accelerating trend for exchanges to seek links in other continents which could cut their members' transaction costs.
- Globalisation has forced US exchanges, even though they dwarf their foreign counterparts, to sit up and take notice of them.
- It has also sparked a new awareness among regulators in different countries of the need for greater co-operation.

Exchanges constantly fear that today's hot product will go cold tomorrow. This history of the industry shows that products, as in most industrial markets, are cyclical. Therefore, they are constantly developing new contracts to keep them in the game. Recently, however, after what might in retrospect be viewed as expensive and gimmicky mistakes, such as contracts based on over-the-counter stock indices and European Currency Units, there has been a reassertion of older concepts.

Nineteen Eighty-six was the year of the government bond future. At the Chicago Board of Trade, there was record business in T-bond futures and rapid growth in T-note futures business as well as in options. Tokyo muscled in as the world's second largest market, and the Tokyo Stock Exchange's success with Japanese government bond futures prompted exchanges in London and Chicago to develop similar contracts in order to provide a global market such as already exists in US T-bond futures.

In London, aided by the restructuring of the UK Government bond market, long UK bond contracts traded at the London International Financial Futures Exchange (Liffe) showed a volume increase of 282 per cent, and options were also launched successfully. The CBOT is now looking at trading UK gilt futures.

In Paris, a financial futures market—the Matif—was launched with a French Government bond future which quickly grew to rival Liffe's UK counterpart. At the Sydney Futures Exchange, turnover in Australian 10-year bond futures grew 491 per cent last year.

These developments reflect the fact that government bond futures are now viewed worldwide as simply an integral part of the underlying bond market. The big securities houses and banks—both globally and in domestic markets—have been steadily developing an ever more liquid market in government bonds as a cornerstone of their business, and futures and options trading has grown commensurately.

These separate bond markets are part of a global repertoire for the securities firms and banks which increasingly trade outside the bonds domicile. They therefore need mechanisms to hedge or augment their trading positions. For US Treasury bonds, this has existed for some time with Liffe's US T-bond future, and the arena has now been extended to Sydney and Singapore. For traders, however, it is still expensive to use all these markets, unless they take advantage of a link between Sydney and London.

Reducing the cost of trading across the world in T-bond futures was the primary reason between an extensive link recently announced by the CBOT and Liffe. Eventually, it will cut members' costs for all contracts traded mutually.

The link represents a shift in emphasis by both exchanges. A previous chairman of the CBOT once confided that he would be strung up from the nearest Chicago lamppost by his members if he allowed the T-bond contract—the CBOT's biggest—to become fungible with Liffe's. The members were frightened of losing liquidity to the smaller exchange.

The fact that CBOT members—many of them locals—now seem prepared to accept such a link seems eloquent testimony to the changing balance of the membership. In addition, there is a recognition that if the CBOT cannot provide such global services to its large members, the prized liquidity of the T-bond contract could simply die away.

That is could do so is not an empty threat. There is a proliferation of potential products to rival the exchange traded contract, and the industry's regulators are not necessarily predisposed to ban them. Exchanges argue that any changes must be decided by legislation. The off-change debate, described in detail elsewhere in this survey, is a live issue which will feature heavily in discussions at Boca Raton.

Establishment of the link, scheduled for later this year, should be eased by an information bridge set up last year between UK and US regulators. One of their aims was to ease the potential oversight problems which could be caused by cross-border trading. It has already yielded dramatic results in helping to uncover insider trading scandals in the UK stock market. The smoothing of international links for futures and options trading will be a less exciting, but useful function as well.

The growth of global firms trading in many markets has sharpened the need for regulators to co-operate with each other, both to prevent abuses and also to reduce the potential systemic risk which could be caused by a financial accident in one centre. Meetings of international regulators are now a regular feature of get-togethers such as this week's.

There remain other areas in which the industry is shrouded in controversy: every quarter, the Triple Witching Hour highlights the part played by stock index futures and options trading in the stock market, though the criticism has now moved beyond the simplistic accusation that "the tail wags the dog."

Rather, arbitrage strategies involving stocks, index futures and index options underscore the growing computerisation of the major players. The result is likely to be ever-larger volumes of trades as computer programs trigger huge orders. The issue is now not whether futures and options—which are after all hedging instruments which should add to overall liquidity and possibly help to reduce volatility—distort the stock market. It is whether the entire market structure—both on Wall Street and in Chicago—is capable of handling such huge volumes without big price distortion.

Efforts are already under way to reduce the price swings caused not only on the triple witching days—when index contracts expire—but on other days as well.

For the other major sector of the industry, currency futures and options—also crucial for the CME—the picture has been one of unspectacular progress. The fear among the sector's promoters must be that government attempts to stabilise currency markets, such as the recent agreement by the Group of Five countries plus Canada, will reduce the need for currency futures. But so far, there is not real sign that the foreign exchange market will be made to undergo a fundamental change such as a return to fixed or pegged exchange rates.

Alexander Nicoll

Liffe

Volumes rocket after Big Bang

WHEN THE London International Financial Futures Exchange was founded in 1982, its prime movers could scarcely have foreseen how well it would fit into the radically altered structure of the City which emerged with the 1986 Big Bang reforms.

In terms of market practices and broader culture, the exchange cut across many traditions which have now been broken down with the revamping of the Stock Exchange. It also provided a foretaste of the bridging of the gap between domestic and international markets in London which has now occurred.

Big Bang, in its turn, has benefited Liffe. In fact, it has provided a boost which will have laid to rest most lingering fears about Liffe's longer-term future. For it has helped powerfully in giving Liffe a strong, domestically-based contract which can provide a foundation for the exchange's international goals.

Volume in futures on long-term UK government bonds grew 282 per cent last year, to 2.61m contracts worth £130.6bn. Long gilt futures easily took over as the exchange's most active contract. Long gilt options were also launched successfully, and futures on short-term sterling deposit rates were popular too, particularly during turbulent periods in the UK money markets.

Until last year, Liffe had relied heavily on contracts that were essentially copies of ones traded on the Chicago exchanges. Instead, its most active contract is now a proprietary product.

The surge in gilt futures trading was largely due to a dramatic increase in competition and liquidity in the gilt market itself. For years, two jobbers—Wedd Durlacher and Akroyd & Smithers—had dominated gilts trading as the primary position-takers. Big Bang opened up market-making to 27 firms, including the original two, now absorbed into Barclays and Warburg respectively.

During the course of last year, volume in gilt futures built up ahead of the October reforms, as firms attempted to develop expertise and a presence in both the cash and futures markets. Futures were necessary because market makers naturally want to hedge their cash market positions.

In addition, the gilts market itself is not very large by the standards of the US and Japanese government bond market—probably not large enough to support 27 market makers. Futures can therefore provide an additional trading vehicle to help justify a market making role. Gilt futures have become an integral part of the gilts, and in some ways a better reference point for price levels than the cash market.

In 1987, the trend is for continued growth.

Success, however, carries its own problems. A futures exchange relying on just one product could not hope to survive for long. Mr Michael Jenkins, Liffe chief executive, acknowledges that "it's comforting to have a good domestic contract behind you." But he says: "Our top priority this year is to put all our effort and resources into trying to ensure that we are not a one-product market."

A dominant contract, he says, tends to suck liquidity away from other contracts.

Liffe's aim, therefore, is to re-emphasise its international nature, through existing and new contracts and through a series of links with other exchanges.

The existence of a strong domestic contract gives it a far stronger hand in discussing foreign links. Liffe's emphasis on being an independent exchange looked a little thin when it did not have one. A link with a US exchange would have resulted in its at least appearing to be a subsidiary of its partner, as the Singapore International Monetary Exchange seems in its link with the Chicago Mercantile Exchange.

Having, some time ago, rebuffed an attempt at a link from the CME, Liffe this year announced plans for an extensive but not exclusive association with the Chicago Board of Trade. It will result in any contracts which are traded on both exchanges becoming interchangeable, or fungible. The prime candidate for this is the US Treasury bond contract, for which Liffe already has a fungible link with the Sydney Futures Exchange. The new link will mean US T-bond futures are traded fungibly virtually round the clock.

The driving-force behind such a link is the clearing membership of each exchange. Liffe has more clearing members in common with the CBOT than it does with the London Commodity Exchange.

These members—and consequently, their clients—will be able to open a T-bond position in London and close it in Chicago later the same day while essentially paying only one set of transaction and margin costs. Since the firms are mainly the large securities firms and banks which dominate US Government securities trading, the link is a clear response to their demand for more efficent cheaper trading mechanisms.

The second subject of the new link is almost certain to be a new contract for both exchanges: Japanese Government bond futures. Liffe is hoping to launch its contract within the next few months, and there are hopes that this will be preceded by a relaxation of Japan's current ban on allowing residents to trade on foreign futures exchanges. Liffe has many Japanese members but they are not allowed to carry out business for Japanese residents.

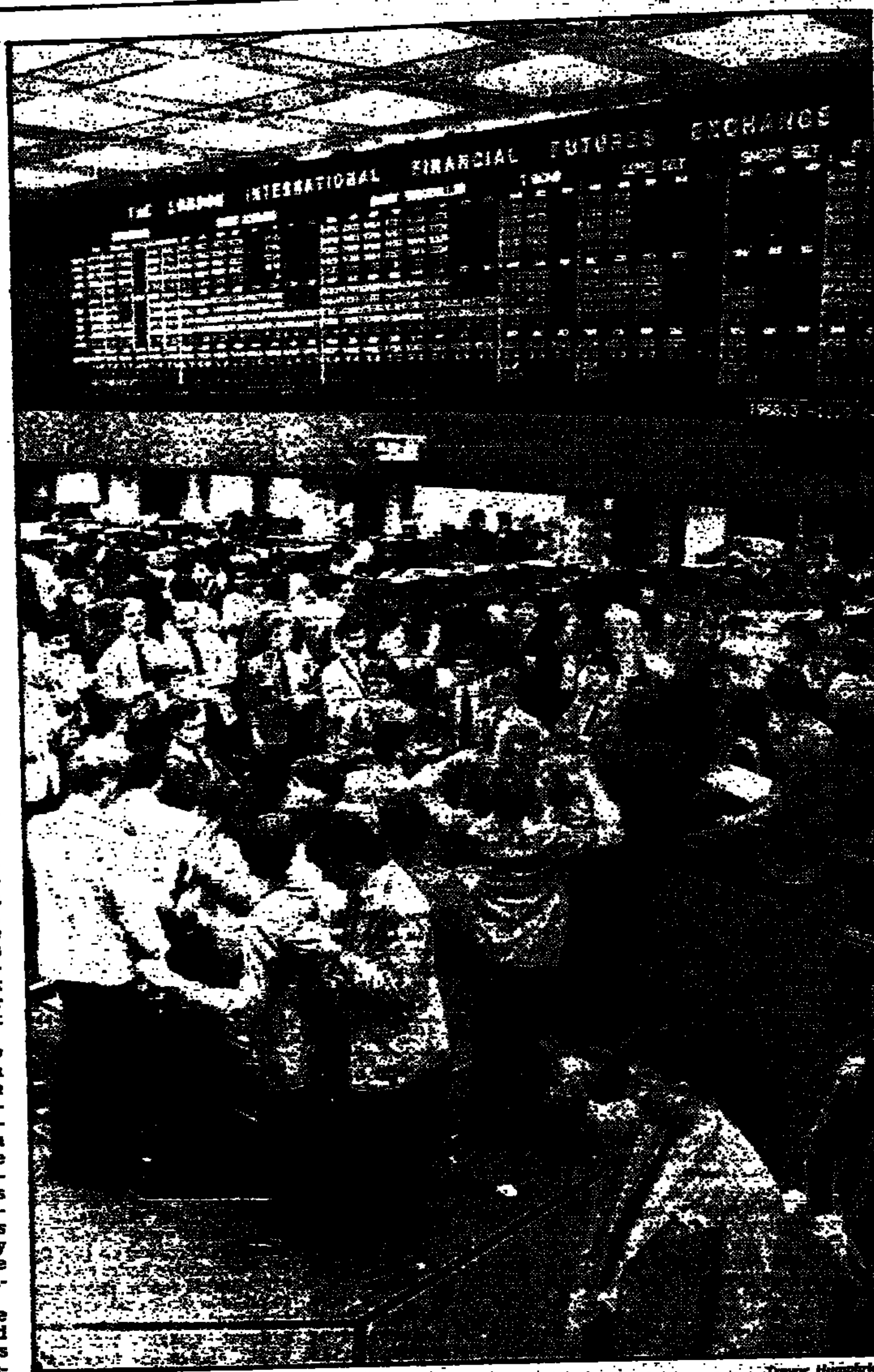
Liffe is still working on the precise specifications and thorny delivery problems associated with the new contract. But when launched, it hopes that the contract will be an important adjunct to the market in London in Japanese government bonds, which it believes turns over between \$1bn and \$3bn worth a day.

Liffe and the CBOT are also working jointly on a Eurobond futures contract. Eurobond market professionals, subject to fluctuations in spreads between Eurodollar and US government bond yields, have resorted to complex hedging procedures involving T-bonds and T-bond futures. Eurobond futures might offer a better alternative—and bond market houses have been assisting Liffe in devising an index of actively traded dollar fixed-rate bonds, for which regularly-updated prices could be available. There remain, however, a number of uncertainties about the contract.

Also in the pipeline are moves to expand the membership of the exchange to meet current demand. A fungible link with the Chicago Mercantile Exchange for Eurodollar futures trading would also be a logical concomitant of the CBOT link.

Closer to home, Liffe is known to be involved in quiet talks with the London Stock Exchange, which has an active traded options market, in preparation for the new regulatory structure which will affect all markets when the new UK system of Self-Regulatory Organisations and Recognised Investment Exchanges—Liffe will be one of the latter—takes full effect. A closer association between Liffe and the Stock Exchange is likely to be the result.

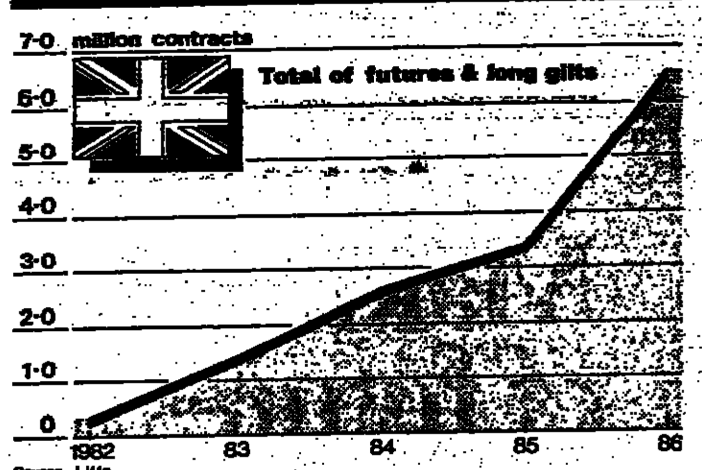
Alexander Nicoll



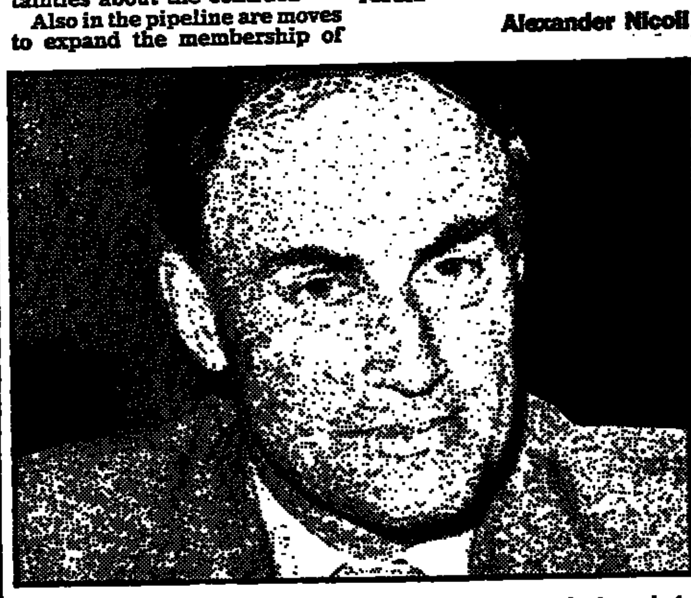
Trevor Humphries

Liffe: long-term fears laid to rest.

Trading on Liffe



Source: Liffe



Mr Michael Jenkins: Top priority, not to be a one-product market.

Regulation

New rules mean change for all

AS THE City of London struggles to adjust to the reforms of Big Bang, an equally fundamental transformation is under way.

The entire regulatory structure of UK financial markets is being restructured, to embody the new investor-protection requirements of the Financial Services Act.

The result will mean changes for virtually every participant in the City, although the demands on purely professional markets, where there is less need for the protection suitable for the small investor, will be less tough.

Even though the Act is in force, and some stages of its phased introduction have already been passed, there is still much uncertainty about some of the basic elements of the new structure.

What is clear is that the UK Secretary of State for Trade and Industry, currently Mr Paul Channon, will delegate some of his powers to an umbrella regulatory body, the Securities and Investments Board. Beneath, will be a group of self-regulatory organisations (SROs) and Recognised Investment Exchanges (RIEs). SROs will authorise firms to carry out investment business and monitor their conduct and their capital adequacy. RIEs will operate and supervise individual markets.

Beyond that, even though rule-books are in the final stages, there is much room for uncertainty, particularly in the futures area.

Originally, the SRO with sole responsibility for the futures markets was to have been the Association of Futures Brokers and Dealers (AFBD). The AFBD, having been set up with this purpose, quickly found itself in a territorial battle with The Securities Association, the SRO set up by the Stock Exchange to authorise firms to deal in securities.

Against the argument that supervision of futures business cannot be separated from the underlying securities, the AFBD fought for, but lost, its exclusive right to authorise futures traders. The result is that firms which have business in financial futures as a part of their securities dealings will be able to operate with their authorisation from TSA without seeking additional authorisation from the AFBD, thereby reducing their costs.

A significant portion of the membership of the London International Financial Futures Exchange (Liffe), London's largest futures market, is thus likely not to belong to the SRO set up to cover futures markets.

Liffe itself is to be an RIE. Although the precise requirements for RIEs are not yet set by the SIB, Liffe is likely to be able to meet most of the criteria for price and trade reporting through its existing systems. Options business at the Stock Exchange's RIE status.

But if the introduction of RIEs means little practical change for the futures markets, the advent of SROs certaintly will.

The AFBD rule-book, like those of other SROs, will have two main areas, covering respectively the conduct of business by member firms and the maintenance of adequate financial resources. As with other London markets, the capital adequacy requirements are causing considerable head-scratching at present.

The simpler—though far from easy—part of appraising capital requirements for futures and options trading is the assessment of the risk arising purely from that trading. The AFBD can draw on the "haircut" system already operating for US markets, with modifications depending on volatility studies of contracts traded in London. The result will be a system of capital requirements based on the nature and volume of a member's futures and options trading.

Such a system, when finalised, is expected to satisfy the SIB. It does not necessarily, however, fully encompass an AFBD member's business. Other parts of a member's business might require capital requirements as well.

Mr Alistair Annand, chief executive of the AFBD, argues that the "whole focus of the SIB is on securities." He believes this may not be a realistic approach.

The problem is that a firm trading commodity futures typically trades the commodities as well. The physical business introduces a whole new set of risks, notably those arising from trade debts. "You've got to relate the physical business to the overall needs. You can't divorce the physical from the future," an AFBD offical says.

In the absence of existing models for capital requirements encompassing both physicals and futures, the AFBD is to construct a model based on the existing practice of members of the London Metal Exchange. This will attempt to identify the best practice of the industry—what makes for a well-run, well-capitalised firm—with the eventual aim of imposing it on others. Clearly, there is a long way to go before the capital rules are set in stone.

Ashley Ashwood

Paul Channon: some ministerial powers will be delegated

The AFBD's status, as of late February, was that it has 169 member firms, with nearly 20 applications pending. A handful of other applications have been withdrawn, and one—that of the retail brokerage firm LHW Futures—has been rejected and is subject to appeal.

Locals on Liffe have not yet been required to join the AFBD; but they will be required to do so, provided the AFBD's argument, that it should regulate all those whose primary business is futures, is accepted by the SIB. Even with these added, the AFBD will be London's smallest SRO, and it faces some erosion if Liffe members who have already joined the AFBD decide to operate with TSA membership alone.

The AFBD will monitor members' activities with the help of data provided by the exchanges and by the International Commodities Clearing House, which will enable it to construct audit trails where necessary. The relationship with ICCH—itself under a radical review—has still to be worked out precisely.

Mr Annand is conscious, however, that no domestic regulatory system can any longer operate in isolation. Hence the need for continual and expanded discussions with US regulators, with the eventual aim of harmonising regulatory requirements. A business as volatile and competitive as futures is naturally likely to gravitate to the centre where regulation comes cheapest and is least rigorous.

The Bank of England has already expressed its concern about the implications of globalised futures business. Mr Christopher Farrow, a Bank official, in an important speech last autumn to heads of exchanges gathered in Switzerland, argued that:

"Adequate capital and liquidity rules for firms taking positions in various markets and in various currencies need to be agreed." Capital assessment should be on worldwide portfolios. "It would be easy to offset capital requirements in one market by undercapitalising in other, less well-regulated, markets." The danger, he said, was that crisis in any single financial market could affect other markets and be transmitted to the banking system.

Alexander Nicoll

London Stock Exchange

Contracts take a fivefold leap

THE PAST two years have brought rapid expansion of the UK Traded Options (TO) market, giving substance to the decision taken by the Stock Exchange in February 1985 to "accelerate progress" of the new arm of the London securities market.

But the two years also brought a significant expansion of London's role in a speedily-developing global market in stocks and bonds. Inevitably, the Options Committee and the Options Development Group are preparing for a further leap forward.

There is much reason for satisfaction with the growth of London's TO market. Volume growth, measured by contracts traded, has leapt fivefold over the two years to reach last year's total of 5.4m.

There are now 16 option market makers, against six in 1985, and open contracts of 655,000 now represent £23bn in terms of underlying securities.

Options contracts traded have risen from 31 to 50, taking in the gilt-edged and currency option contracts. Brokers' commissions and fee income now total about £50m annually.

More important, the TO market can fairly claim an important role in expanding the repertoire of the UK securities market. It is liquid—deals of 1,000 contracts are regularly handled without fuss. Market makers in the underlying UK stocks accept traded options as a fundamental means of managing price risk.

And yet, it is widely accepted that London's TO market still has some distance to travel before it can offer the kind of service in London that international funds now take for granted in the US. The TO market is still weighted almost entirely towards domestic equities and sadly thin on the currency and bond products which are a major attraction of the US markets. Total option business, including that in the FT-SE 100 index contracts, still represents less than 10 per cent of the value of the market in underlying securities. In the US, the proportion would be around 250 per cent.

The FT-SE 100 contract makes up only 5 per cent of total option business, a poor comparison with the Standard & Poor's 500 contract market which can make Wall Street perform acrobatics when the Triple Witching Hour strikes.

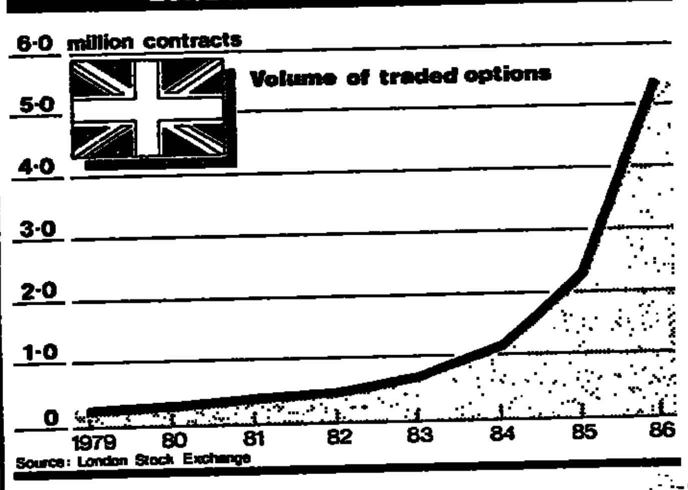
Moreover, gilt-edged and currency option trading is still virtually insignificant in terms of TO market business Options on overseas equities are almost non-existent, consisting only of those South African stocks traditionally traded in London.

The TO market authorties are well aware of these limitations, and also of the great potential or expansion which they mask. For example, it is estimated, on the basis of the US experience, that the FT-SE contract could be expanded to about 20 times its present trading levels, with the right kind of promotion and encouragment.

Similarly, the TO market recognises the need for traded options in the US, Japanese and continental issues if London is to play its full role in the global markets of the future.

Both the problems and the opportunities have been brought into closer focus by London's Big Bang, and the merger of the UK Stock Exchange with the International Securities Regulatory Organisation (Isro). Both moves increased the presence in London of the international trading firms which want an early expansion of traded optons into the bond and market index areas.

London Stock Exchange



Source: London Stock Exchange

If the difficulties are daunting, then the potential rewards are glittering. The very size of the UK securities markets, together with the implications of Big Bang, means that London's TO market could become the largest market for derivative products in its time zone.

The Options Committee believes that, within five years, volume in option contracts could rise to as much as 1.5m daily. With this prospect before it, the Options Development Group already envisages a substantial enhancement of its resources, ranging from increased staffing levels to major developments of trading operations.

Near-term objectives have been identified in terms of financial, technical and legal priorities, with an expansion of the trading floor and its operating systems at the head of the list.

Since Big Bang triggered the flight from the Stock Exchange trading floor of equity and bond dealers, the TO market has become the only active area of the floor. It is an open secret that the TO market will soon expand its occupation to cover about half of the trading floor.

Also on the stocks are plans to expand the trade matching system to handle 500,000 contracts per diem, together with similar expansion of the contract clearing system. Forecasts of the capital expenditure involved in this expansion of market floor and back-up technology have already been formulated.

On the legal front, the TO market has to clarify the position with the regulatory and fiscal authorities, as well as promote the entry of the investment funds which are the prime players in successful options markets. It must obtain from the Securities and Investments' Board recognition for its role as a recognised investment exchange and also as a clearing house.

On behalf of its customers, the Options Group will move to ensure that the trust deeds of major institutions do not inhibit fund managers in use of traded options. It wants confirmation from the Inland Revenue that UK pension funds can use index option contracts for hedging purposes. And it hopes to persuade the Department of Trade to allow unit trusts to write put options on their shareholdings. On broader objectives, the TO market sees its way ahead in terms of closer links with other, sometimes rival, organisations.

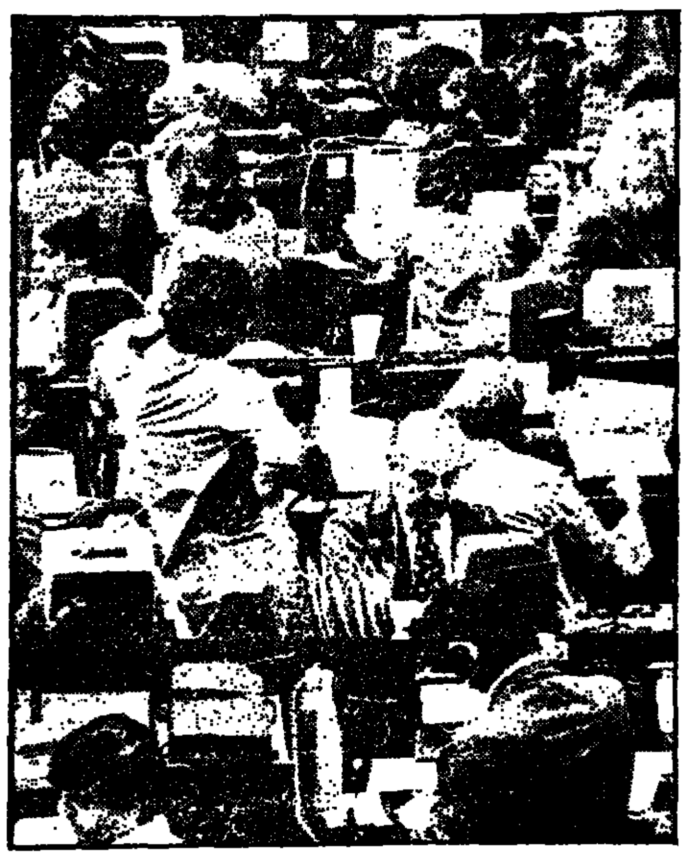
Big Bang triggered a flight from the Exchange floor

Aware of the success of the London International Financial Futures Exchange (Liffe), the TO authorities seek to avoid needless duplication of derivative products.

They see a golden future for a combined options and futures market, feeding off the Stock Exchange markets in underlying securities. With this view of prospects for London, the TO market has no wish to challenge Liffe in offering options on short-term interest rates, and believes it would also be wasteful to duplicate Liffe in financial futures.

On the global front, the TO market also sees the way ahead as one featured by links with other exchanges. Plans to introduce option contracts on a wide range of Japanese and US equities are already backed by a timetable for trading tie-ups with the major US options and futures markets. But a planned link with the Philadelphia Stock Exchange for currency options trading is still not established after two years of negotiations.

Terry Byland



The Chicago Board of Trade exceeded 100m lots.

US exchanges

Expansion is the keynote

IN A year characterised less by exciting new products than a growing recognition of the need *to cut costs* and broaden international horizons, US futures and options exchanges in 1986 contrived to retain by far the lion's share of available business.

Based on *1986 volume*, each of the top four (and six of the top 10) futures exchanges *worldwide* was US-based. Of last year's most active futures and options contracts, no fewer than 28 are traded on US exchanges—18 in Chicago, seven in New York and three in Philadelphia. The industry's busiest contract of all, the *Chicago* Board Options Exchange's S&P 100 Stock Index Option, traded a *staggering* 113.2m lots.

Most US exchanges enjoyed growth years, with the three *Chicago giants increasing* volume by a highly satisfactory 20.2 per cent (Chicago Board of Trade), 21.6 per cent (Chicago Mercantile Exchange) and 21.1 per cent (Chicago Board Options Exchange) respectively.

Despite a relatively sluggish final quarter, the *CBOT*, the world's largest futures exchange, traded in excess of *100m lots for the first time. Its* flagship, US Treasury Bond Futures Contract, accounted for *over* half of this with volume up approximately 30 per cent at 52.6m.

Growth at the rival CME was broad-based. While the bullish stock market helped propel the *exchange's equity products to* the fastest year-on-year growth rate (32 per cent), neither currency products (up 23 per cent) nor interest rate products (up 19 per cent) were left trailing too far behind.

Expansion was also the keynote at the Philadelphia *Stock Exchange*, where volume in three of its clutch of foreign currency options exceeded 1985 levels by more than 250 per cent. New York's Coffee Sugar & Cocoa Exchange enjoyed a record year too, with volume up 23 per cent to 5.8m lots.

The most conspicuous exception to the general rule was Commodity Exchange Inc, New *York's base* and precious metals exchange, which suffered a marginal value decline—despite a spasmodically bullish underlying gold market. By contract, the year's most conspicuous success story was probably the New York Mercantile Exchange, Comex's traditional and sometimes bitter rival, whose volume soared *almost* 39 per cent to 14.8m lots on the back of volatile energy and *platinum markets*.

The continuation in 1986 of the US industry's rapid growth rate of recent years was particularly gratifying for exchanges in view of the relative dearth of *bona fide new products*.

True, the year began with a scramble to launch new Ecu futures and options contracts. But these proved a disappointment, although New York's financial instrument exchange (a division of the New York Cotton Exchange) embarrassed the *mighty CME by apparently* winning their duel for dominance of the Ecu futures scene, such as it is. Elsewhere, the New York Futures Exchange launched the world's first commodity index future. But this, too, as exchange president Mr Lewis Horowitz correctly surmised, failed "to come out of the gate roaring."

Otherwise, the bulk of 1986 new contract launches were options designed (often unsuccessfully) to maintain at least a modicum of growth in the depressed traditional commodities sector. Nymex again enjoyed the most noteworthy coup in this so-called "product deepening" process. Crude oil options were launched by the *exchange in November to an* immediately rapturous response.

This year promises a *little* more in terms of new directions, with the CBOT in particular at work on a range of diverse projects. As well as developing Japanese government bond and Eurobond futures contracts, in *co-operation with its new* linkage partner, the London International Financial Futures Exchange, *the CBOT recently* applied for regulatory approval to trade a future based on a *corporate bond* index. Both big Chicago exchanges are also expected, in due course, to launch futures contracts on foreign stock indices.

In the non-financial sector, Money, *on the crest of a wave*, is finally hoping to launch a natural gas futures contract. Meanwhile, the CSCE *is planning* a white sugar future to complement *its* existing raw sugar instruments, and the tiny Minneapolis Grain Exchange is set to launch a future on high-fructose corn syrup.

As in 1986, however, the biggest headlines of this year will probably be reserved for ongoing exchange efforts to cut costs and react to the increasingly global demand for their products.

In addition to the recent CBOT-Liffe tie-up already mentioned, the last six months have brought a link on gold futures between Comex and the Sydney Futures Exchange, the affiliation of the VBOE with the Cincinati Stock Exchange, and the formation of a joint *CME*-New York Stock Exchange task force to examine varions possible collaborative *measures*. Both the CBOT and the Philadelphia Stock Exchange have also announced their intention to start evening *trading sessions*. The CBOT hopes to get its session under way as soon as April 2.

Nobody *seriously doubts* that the US will continue to be that hub of the international futures and options industry. But pressure to cut costs from both US-based off-exchange products and foreign exchange with laxer regulatory requirements can *only intensify*. *For those* exchanges that fail to react to the need to provide basic services efficiently and cheaply, the future will be grim, even if the domestic industry as a whole continues to grow and, generally, to prosper.

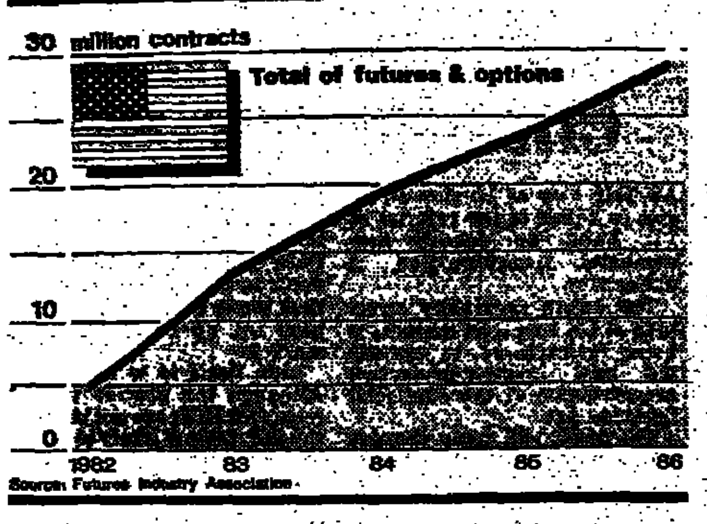
David Owen

Most actively traded contracts

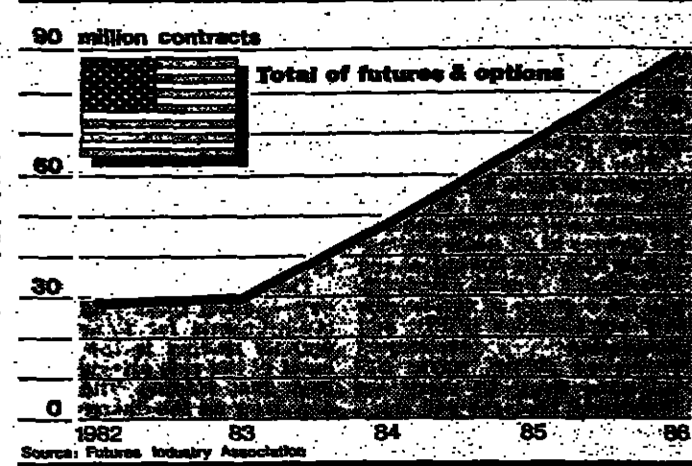
Rank	Contract (exchange)	1986 volume (in thousands of contracts)
1	T-bonds (CBOT)	52,599
2	S&P 500 (CME)	19,505
3	T-bond Options (CBOT)	17,314
4	Eurodollars (CME)	10,825
5	Gold (COMEX)	8,400
6	Crude Oil (NYMEX)	8,314
7	Deutsche Mark (CME)	6,582
8	*Corn (CBOT)*	6,160
9	Soybeans (CBOT)	6,134
10	Swiss Francs (CME)	4,998
11	Live cattle (CME)	4,691
12	T-Notes (CBOT)	4,426
13	Japanese yen (CME)	3,970
14	*Silver 5000* oz. (COMEX)	3,850
15	Sugar No. 11 (CSCE)	3,584
16	Heating oil No. 2 (NYMEX)	3,275
17	Soybean oil (CBOT)	3,183
18	NYSE Composite Index (NYFE)	3,124
19	Soybean Meal (CBOT)	3,049
20	British Pounds (CME)	2,701
21	Deutsche Mark Options (CME)	2,206
22	Wheat (CBOT)	2,090
23	Live hogs (CME)	1,937
24	S&P 500 Options (CME)	1,886
25	Copper (COMEX)	1,872

Source: Chicago Board of Trade

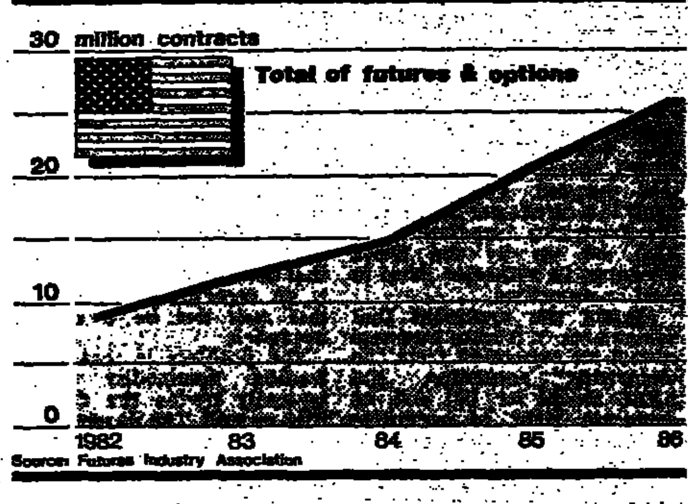
Equity indices



Interest rates



Foreign currency



Contracts traded around the world

CHICAGO BOARD OF TRADE
Futures: Treasury Bond $100,000, Treasury Note $100,000, Municipal *Bond Index $100,000*, Major Market Index 250 X Index.
Options on futures: Treasury Bond *$100,000, Treasury Note $100,000.*

MIDAMERICA COMMODITY EXCHANGE
Futures: Treasury Bond $50,000, 90-day Treasury Bill $500,000, British pound £12,500, W. German Mark DM 62,500, Japanese yen Y6.25m, Swiss franc SFr 62,500.

CHICAGO MERCANTILE EXCHANGE
Futures: Standard and Poors 500 Index, 90-day US Treasury Bills $1m, Eurodollar Time Deposit $1m, Domestic Certificates of Deposit $1m, European Currency Unit 125,000, French franc FFr 250,000, Japanese yen Y12.5m, British pound £25,000, Canadian dollar C$100,000, W. German Mark DM 125,000, *Australian dollar* A$100,000, Swiss franc SFr 125,000.
Options on futures: *Standard and* Poors 100, Standard and Poors 500 Futures, Swiss franc SFr 125,000, *Deutsche Mark DM 125,000, British pound £25,000, Japanese yen* Y12.5m, Canadian dollars C$100,000, Eurodollar Deposit $1m, 90-day US Treasury Bills $1m.

CHICAGO BOARD OPTIONS EXCHANGE
Options: Standard and Poors 100 Index, Standard and Poors 250 Index, Standard and Poors 500 Index, British pound £25,000, Canadian dollar C$100,000, W. German Mark DM 125,000, Japanese yen Y12.5m, Swiss franc SFr 125,000, French Franc FFr 250,000, Australian dollar A$50,000 and Selected Treasury Bonds and Notes.

NEW YORK FUTURES EXCHANGE
Futures: *NYSE composite index*, CRB index.
Options: NYSE composite index.

NEW YORK STOCK EXCHANGE
Options: NYSE composite index.

PHILADELPHIA STOCK EXCHANGE
Futures: National OTC Index, British pound, W. German Mark, Swiss franc, French franc, Japanese yen, Canadian dollar, Ecu.
Options: British pound £12,500, Canadian dollar C$50,000, W. German Mark DM 62,500, Japanese yen Y6.25m, Swiss franc SFr 62,500, French franc FFr 125,000, Ecu 62,500, Australian dollar A$50,000, Value Line Index, National OTC Index, Eurodollar.

AMERICAN STOCK EXCHANGE
Options: Major Market Index $100, Institutional Index, Oil Index, Computer Technology Index.

NEW YORK COTTON EXCHANGE
Futures: *US Index 500 X Index, Ecu* Ecu 100,000.
Option on futures: US$ index.

NEW YORK COFFEE, SUGAR AND COCOA EXCHANGE
Futures: Consumer Price Index.

KANSAS CITY BOARD OF TRADE
Futures: Value Line Index $500 X Index, Mini Value Line Stock. Index $100 per point.

LONDON INTERNATIONAL FINANCIAL FUTURES EXCHANGE
Futures: FT-SE 100 £25X Index, Long Gilts £50,000, Short Gilts £100,000, Three Month Eurodollar $1m, Sterling deposit £500,000, Sterling currency £25,000, Dollar-Mark $50,000, D-Mark DM 125,000, Swiss franc SFr 125,000, Japanese yen Y12.5m.
Options: British pound £25,000, *West German Mark $50,000 against* DM, Eurodollar $1m, Long gilt £50,000, FT-SE Index, T-bond $100,000.

LONDON STOCK EXCHANGE
Options: FT-SE 100 Index £10 X, Sterling/dollar £12,500, D-Mark/dollar DM 62,500, selected gilts.

EUROPEAN OPTIONS EXCHANGE
Options: British pound/Dutch guilder £100, US$/Dutch guilder $100, US$/W. German Mark $100, Ecu/US$ Ecu 100.

MONTREAL EXCHANGE
Options: 91day Canadian Treasury Bills C$250,000, Canadian dollar *C$50,000 (also traded in US$)*, selected government bonds.

TORONTO FUTURES EXCHANGE
Futures: 91-day Canadian Treasury Bills C$1m, Long-term Canadian bonds C$100,000, Canadian dollar/US dollar US$100,000, TSE 300 Index.

SYDNEY FUTURES EXCHANGE
Futures: 90-day bills A$500,000, *10-year treasury bonds A$100,000*, All Ordinaries Share Index A$100X Index, Dollar/Australian dollar US$100,000, Eurodollar Deposit $1m, US Treasury bonds $100,000.
Options: 90-day bills A$500,000, 10-year bonds A$100,000, All Ordinaries Share Index A$100X Index, Dollar/Australian dollar US$100,000.

NEW ZEALAND FUTURES EXCHANGE
Futures: NZ dollar US$50,000, Commercial paper NZ$10,000, 5-year Government Bonds NZ$100,000.

SINGAPORE INTERNATIONAL MONETARY EXCHANGE
Futures: Eurodollar $1m, Japanese yen Y12.5m, W. German Mark DM 125,000, Sterling, Nikkei Stock Index.

TOKYO STOCK EXCHANGE
Futures: 10-year Government bonds Y100m.

PARIS—MATIF
Futures: 7-10 year Government bond 10 per cent FFr 500,000, 90-day *Treasury bills FFr 5m.*

HONG KONG FUTURES EXCHANGE
Futures: Hang Seng Index.

The list excludes individual equity options and all gold and silver contracts. The list aims to provide a full *but not comprehensive record of contracts currently available.*

Research: Jan Schiling and Anne Dufflerea.

Off-exchange trading

Over the counter, round the law

THE MOST important challenge facing US futures exchanges today—bigger even than the globalisation of their markets—is the competitive threat posed by off-exchange, or over-the-counter, trading.

In apparent defiance of the letter of the law (in this case the Commodity Exchange Act), major Wall Street securities houses and banks are introducing a fast-expanding range of financial products which bear an uncanny resemblance to futures and options—but are traded over-the-counter.

Strictly speaking, the Act requires that all futures and most options be traded on exchanges. But it has lately been subject to wide differences of interpretation.

These over-the-counter products range from tailor-made hedges, constructed for sophisticated institutional clients wishing to offset exotic assets and liabilities, to commodity-indexed capital-raising instruments; from leverage contracts, permitting customers to invest in precious metals for a small initial downpayment, to an off-exchange network for trading options on treasury securities planned by California-based Security Pacific National Bank.

Much to the exchanges' displeasure, the Commodity Futures Trading Commission—the US industry's regulatory watchdog—appears to see nothing intrinsically wrong with many of these instruments. The agency claims the discretion, in the words of recently-departed general counsel, Mr Kenneth Raisler, "to determine that it doesn't want to prohibit any particular product—even if it is arguably violative of the Commodity Exchange Act."

"Regulators should be responsive and flexible if needs change," adds CFTC chairman, Ms Susan Phillips. "We do not wish to inhibit capital formation."

It has been as much as the exchanges have been able to do to secure a CFTC commitment to study the issue in depth over a two-year period. They hope (probably wrongly) that this will give them something of a breathing space in which to formulate their own defences.

At present, these defences rest, somewhat piously, on the issue of customer protection. "Don't be misled by the term 'off-exchange'," the Chicago Board of Trade president and chief executive, Mr Thomas Donovan, warned exchange members recently. "We as an industry must be concerned that unregulated products cannot be legitimised and given the same approval as markets like ours, which have strong capitalisation requirements and customer-protection regulations," he added.

But unregulated products are also cheaper products. The prospect of the regulatory stable door being left unbolted to theoretically unlimited low-cost competition is, it may be assumed, much closer to the heart of the exchanges' concern than the potential well-being of someone else's customers.

Even the exchanges are beginning to realise that a degree of damage-limitation is probably the most that they can hope to achieve if the present climate persists. After all, they have tacitly tolerated so-called EFPs (exchange for physicals)—an agreement between two parties to exchange a futures position for cash, and vice-versa, which clearly bypasses the open outcry system—since they were devised in the grain markets of the 1920s. The New York Mercantile Exchange, indeed, is even touting EFPs as an alternative delivery mechanism on its thriving energy contracts.

This realisation, coupled with the fact that the volume represented by over-the-counter trading is currently small in comparison with exchange-traded futures, may be behind an apparent softening in exchange attitudes towards such instruments. "My intuition is that the economic advantages of a central marketplace are very strong," says Mr Ken Cone, director of regulatory studies at the Chicago Mercantile Exchange. "That will limit what these instruments can ultimately do."

The CBOT, meanwhile, has formed an exchange committee to address possible changes in the Commodity Exchange Act. This in itself, according to Mr Karsten Mahlmann, the exchange's recently-elected chairman, constitutes "an implication that there is an infrequent occasion when a customer needs a custom-tailored product." However, on one point in particular, Mr Mahlmann remains very clear. "If changes came about, they would be legislative changes involving the Commodity Exchange Act, which is very explicit: futures must be traded on exchanges."

Of course, it may also be that the exchanges are realising that, while the competitive threat posed by off-exechange instruments may be slighter than they are first supposed (if handled correctly), the potential benefits to the exchange-traded sector may be greater.

For one thing, sellers of off-exchange instruments (many of whom are increasingly important exchange end-users) must hedge their own net exposure somewhere. For another, the extensive marketing efforts which these firms are making in a bid to shift their own tailor-made instruments are, as a by-product, expanding the overall marketplace.

"We have found all sorts of interest among non-traditional futures users," according to Mr Preston Appleby, Chicago-based manager of futures and options at First Boston.

Exchanges should ultimately think in terms of a trade-off when evaluating their stance on the off-exchange issue. Will the business which they might lose among those prepared to forgo the luxury of a regulated marketplace be outweighed by new business which heavy restrictions on over-the-counter trading would prvent developing?

If the answer is yes, then perhaps off-exchange "look-alike" products will not after all turn out to be quite such "an ugly serpent," as the CBOT's Mr Mahlmann recently described them.

David Owen

The Japanese market

Hedging lifts the five-date contract

JAPAN'S RECORD in financial futures trading has been brief but spectacular. Business opened as recently as October 1985 in a single government bond futures contract, but in recent months activity has exploded to the extent that volume has been greater than in Chicago's long Treasury bond contract.

Monthly trading has been running in excess of Y100 trillion (say, $650bn) on the strength, essentially, of the large amount of hedging activity by the principals in the bond market, the banks and securities houses.

The contract is based upon a notional 10-year, 6 per cent government bond, with expiration in March, June September and December on the 20th of the month. Since the longest contract is for 15 months, there are five different dates traded.

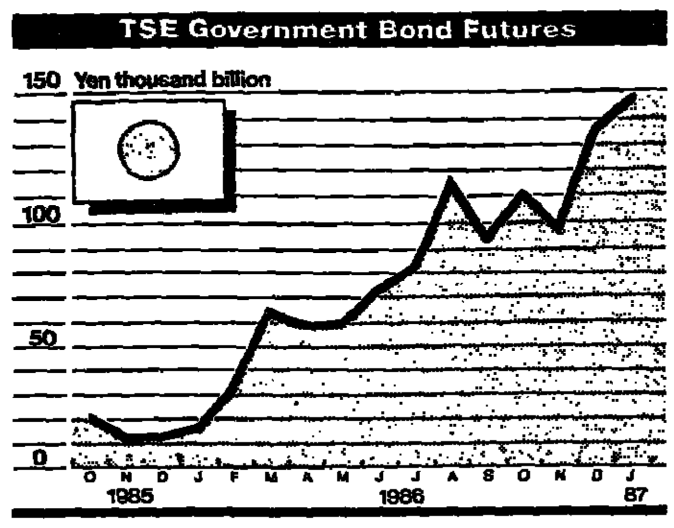
It is a telephone market rather than a Chicago — or Liffe-style open outcry market in trading pits, and trading firms qualify through special membership of the Tokyo Stock Exchange. This membership is fairly freely available, unlike the full membership lists which are locked up.

Practitioners say that the high rate of activity in the market reflects the absence of other hedging facilities in Japan. It is not possible to short the bond market, and there are no other futures contracts related to, for instance, short-term interest rates. Moreover, the Japanese are barred from trading on futures markets overseas, for example on Simex, in Singapore, where another Japanese bond contract is traded.

To some extent, too, the high volume of trading reflects the increased activity in the underlying cash market. With yields tending to fall, corporate and institutional investors have been under pressure to increase their returns through trading.

Although the banks and securities houses are all active in the futures market, only the latter are allowed to trade on behalf of clients. Dealing by the banks is on their own account. In fact, at least 80 per cent of trading is thought to be by principals.

One notable development has been the role of foreigners in the futures market, notably Salomon Brothers, which made a special effort to exploit the kind of investment technology that had been developed in New York but which was not generally known about in Japan in the early days of the new futures market.



Recently Salomon has claimed something like 2 to 3 per cent of trading volume in the futures market.

The success of the government bond future has whetted the appetite of traders for more contracts, but there are serious regulatory and legal problems. These are preventing, for instance, the launching of a locally traded US T-bond contract, sorely needed in the Japanese time-zone, given the huge volume of T-bond trading that now takes place in Tokyo.

The Japanese securities houses are furious, because the likes of Salomon or Goldman Sachs can hedge their T-bond positions in the US, but the Japanese cannot. This is because a T-bond contract would have a currency element, and only banks are allowed to trade currencies in Japan. At the same time, a T-bond contract would count as a security which could only be traded by a securities house.

However, there are moves to permit Japanese investors to participate in futures markets outside Japan. This coincides with proposals to open up new Japanese government bond futures markets in other time zones.

Thus the London financial futures market, Liffe, is planning to introduce futures on Japanese government bonds by the end of May; and it is likely that an interchangeable contract will be launched later by the Chicago Board of Trade.

There are likely to be slight technical differences compared with the Tokyo government

Continued on Page 6

Arbitrage

Time to level with volatility

IT IS not insider trading, the sensational story of Wall Street malpractice, complete with the delivery in dark alleys of brief-cases bulging with cash, which prompts the greatest flow of letters from the public to Mr Joseph Grundfest, a commissioner of the Securities and Exchange Commission, Washington's Wall Street watchdog.

The hottest topic is the breathtaking gyrations of the stock market, apparently because of the interplay between stocks and instruments derived from them, such as stock users of these new and complex investment tools.

Spectacular volatility has hit the stock market on two types of occasion in recent years.

First, Triple Witching Days, which occur once each quarter when investors square their positions upon the simultaneous expiration of stock index futures and options and options on the underlying shares.

Second are random days, in which a sudden change in investor mood, or the release of surprising news (economic or political), can cause a violent market movement. The most noteworthy days have been September 11 and 12 last year and January 23 this year.

Colourful reports of frenzied trading and plunging stock prices, which many people believe are triggered by computers with minimal human involvement, have alarmed politicians and some people in the securities industry. But this perception of the markets degenerating into a vast casino is based on a gross misunderstanding of the tools and the uses to which they are put, practitioners argue passionately.

The SEC shared the securities industry's opinion of the utility of the instruments, Mr Grundfest said. But users were failing to make their case to the public, particularly after days like January 23 when the Dow Jones Industrial Average plummeted 114 points in little more than an hour, he warned the conference organised by the Institute of International Research.

"A couple more days like January 23 and the industry will be spending a lot of time testifying on Capitol Hill, which could lead to restrictions [on the instruments]," he said.

The SEC is due to release shortly a study of market volatility on occasions other than Triple Witching Days. The broad verdict is that derivative instruments may play a role in those days but are not the cause of them. In fact, trading of the instruments and arbitraging between the instruments and baskets of the underlying shares virtually dried up on January 23, because price movements became so violent, and volume so heavy, that investors and traders could not get an accurate picture quickly enough to make trading decisions.

The instruments make it quicker, cheaper and easier for investors to translate an opinion about the market into action. They can, for example, sell stock index futures if they believe stock prices are going down, rather than painstakingly sell a portfolio of stocks. Such uses substantially shorten the time it take markets to respond to news, but the overall response will be no greater.

In addition, the compression effect is probably driven just as much by the high technology of communications and trading, users argue. The buy or sell decisions are still made by humans, with computers merely facilitating the purchases, for example, of a basket of shares.

Volatility is a slippery market characteristic on which to get a handle. Depending on the measure used, it can be shown to have increased, decreased or not changed in recent years. The SEC believes that markets are as stable as they were several years ago.

Yet, to say there is no greater volatility today "is technically correct but politically irrelevant," Mr Grundfest said. "It's futile and wrong to fight the common man's focus on volatility." The securities industry would find it more productive to try to convince him, instead, of the legitimate investment uses of derivative instruments.

For its part, the Chicago Mercantile Exchange is planning changes to by far the most popular stock index futures contract, the Standard & Poor's 500, which is traded on its floor. It has proposed maximum daily price movements, in the hope that traders and investors will be more willing to trade them on volatile days if they know their potential losses are capped. It is looking at more fundamental changes, such as block trading of futures contracts, to help traders handle the ever growing demand for the instruments.

Triple Witching Days pose different problems. Many participants have come to accept that changes in some of the mechanisms are needed, to ensure that markets have sufficient trading time to cope with the enormous pressures of trding volume on the expiration.

Starting with the expiration day on the third Friday of June, the Standard & Poor's 500 stock index futures contract will expire at the opening of trading rather than the close. The change was proposed by the Merc, and it is hoped that other exchanges will follow suit with their index contracts.

Many details of the new expiration procedures are still being worked out, and overall some doubt has been expressed about the impact of the changes. In the meantime, the March expiration will be at the close of the third Friday of the month, and will operate under the temporary rules used at the last few expirations. These call for the declaration half-an-hour before the end of the session of orders to buy and sell shares at the closing price to help facilitate matching of the orders.

Although this system has been relatively effective, on the few occasions it has been tried the SEC has warned that some securities dealers have tried to take advantage of it, thereby undermining confidence in the process of self-regulation.

Roderick Oram

Singapore

Simex is on target

TWO-AND-a-half years after financial futures first started trading in Singapore, the Singapore International Monetary Exchange (Simex) has yet to establish *itself firmly* as a viable market.

But the market has seen impressive growth over the past year, with average daily trade volume more than doubling. Trade volume in February seems heading for a record.

Mr Ng Kok Song, the Simex chairman, says the exchange is on target to reach its goal of an average of 20,000 daily trades, roughly four times today's volume figures, by mid-1989. This is required, he says, to make the venture profitable for its members.

The market has overcome considerable initial doubts about its viability, and has now pitched in, with elbows flaying, to carve out a strong position in individual products.

Three new contracts have been offered in the past year alone, one of them, the Nikkei 225 stock index average, being the first of its kind in the world. Simex has held its own firmly against competition from Sydney for the US T-Bond futures contract. Nonetheless, neither the Nikkei average contract, the contract in US T-bond futures, nor the new sterling contract has caught on with sufficient volume to say they are firmly launched.

The exchange must build up liquidity individual contracts to a point where big international investors can safely hedge their positions in the underlying securities or currencies. So far, this has happened indisputably only with one contract, the Eurodollar future, with an average of 1,802 daily trades last year. In January, the Eurodollar contract volume was half that of Liffe.

Running a distant second is the Deutsche Mark contract, which averaged *848 trades* daily.

"The success of the Eurodollar contract *is the launching* pad to move into other contracts," says Mr Ng.

It is also in one sense, however, an impediment. When the Japanese central bank cut *interest rates in February, local* traders in Simex moved in to take out positions not in US T-*bond futures, or yen futures, but* in Eurodollar futures. This was because that was where the *liquidity lay and where risks* would be lower.

The same impediment appears to affect the growth of trading in the Nikkei index contract. The US Government recently relaxed restrictions *that* prevented US residents or institutions from taking positions in the contract; and, given the size of US investment in the Japanese market, it would appear to be a natural hedging tool. Mr Ng is convinced that the demand is huge at the moment, but large institutions are interested in taking positions much bigger than current market volume can absorb.

Until the liquidity is there, the big traders *will* not come; but without the big traders, liquidity growth can only be very slow.

With the Nikkei index contract, this dilemma is especially acute, because, in a few years, futures contracts for Japanese stocks are expected to be available in Japan. Some observers are sceptical that the Simex contract will survive this competition. Even the optimists, such as Mr Ng, admit that the contract will not stand a chance if sufficient liquidity is not achieved before trading gets going in Japan.

The launch of the US T-bond contract in October has been followed by disappointing volume figures, and this particular contract could face a rough future in April when the Chicago Board of Trade opens a night trading session that will overlap Simex's morning trading hours.

Mr Ng says, however, that if the CBOT succeeds in achieving high volume in the night session, this could produce more volatility in interest rates that *would* stimulate trading in other Simex contracts. And he is not willing to rule out success in *the* US T-bond contract in the Simex afternoon session.

On the drawing boards still is a *plan for trading in* currency options. Also to come is a stock index futures contract based on *the Stock Exchange of Singa*pore. This is under discussion with the Stock Exchange.

The SES contract *could prove* strategic to the growth of Simex, since it will draw in more local interest. *The growth of trading* volume by local traders is the key to boosting liquidity, since *it* is local traders who *take* on the risks so that investors can hedge the positions in the underlying securities.

On this score, Simex appears to be on the right track. Trading by locals had gradually risen to 31.5 per cent last year, while volume by all categories of traders has gone up.

The exchange has 228 individual members, out of 450 seats, with an average of close to 90 locals on the floor daily. A *formula* is being sought that might bring more locals on to the floor to trade on their own accounts.

Steven Butler

Simex: daily average volume

(at January 31 1987)

	Gold	Eurodollar	D-Mark	Yen	Sterling	Nikkei	US T-bond	Total
1984								
July-Dec	566	428	526	59	—	—	—	1579
1985								
Jan-Dec	170	1187	675	126	—	—	—	2158
1986								
Jan (22)*	54	1678	1025	543	—	—	—	3300
Feb (18)	38	1219	933	846	—	—	—	3036
Mar (22)	15	1053	1041	453	—	—	—	2562
Apr (22)	28	1600	1098	442	—	—	—	3168
May (20)	7	1670	820	639	—	—	—	3136
Jun (20)	3	1635	760	414	—	—	—	2812
Jul (23)	1	1635	696	575	277	—	—	3184
Aug (21)	5	2264	761	403	126	—	—	3559
Sep (22)	5	3196	912	334	145	788	—	5380
Oct (23)	3	2335	800	309	96	320	1286	5149
Nov (20)	23	1931	932	283	123	211	417	3920
Dec (22)	0	1404	398	115	50	285	173	2425
Jan-Dec	15	1802	848	446	136	401	625	4273
1987								
Jan (19)	0	2661	1246	337	43	202	249	4738

* Figures in parentheses indicate number of trading days

France

Matif forges ahead

THE PARIS financial futures market celebrated its first birthday last month, and has *already exceeded even the most* ambitious expectations.

The success of the Matif, as *the futures market is known*, quickly became apparent after its launch in February last year, but the turnover has continued to grow rapidly.

Paris now rivals London's longer established Liffe in the volumes traded on its main long bond contract, based on a notional French government bond with a 10 per cent coupon and a life of seven to 10 years.

Progress has been slower on the second contract, based on French treasury bills, but the exchange now plans to introduce two new contracts: one an option based on its main long bond contract, the other a foreign exchange future which trades the dollar against the Ecu, the basket of European currencies.

The exchange's success has brought capacity problems and wrought an agreeable havoc with the budgets of Mr Gerard de la Martiniere, chairman of the exchange's clearing house, the Chambre de Compensation des Instruments Financiers de Paris (CCIFP).

His *organisation's* main source of income is a levy on contracts traded, and, with turnover running 10 to 20 times as high as anticipated, the CCIFP has not only been able to *move to new premises but* also to halve the rate of its levy.

The market *itself* has also had *to move*, from a dismal corner of the opulent Napoleonic Palais de la Bourse up to larger and better equipped quarters on the fourth floor, which put to shame the riot of loose wires that serves the *telecommunications* needs of the rest of the Bourse.

Daily volume in the notional contract now averages well over 15,000 contracts a day, with peaks of over 40,000 contracts traded.

From its creation in February until the end of the year, the Matif traded 1.66m long bond contracts, with turnover of 980,157 contracts in the last three months of the year, matching the 986,305 long gilt contracts traded by Liffe in London.

The computer system installed to handle clearing and *administration* was modelled on that already in use at the Sydney Futures Exchange, which *was at the time handling 10,000* to 15,000 contracts a day. This, too, has already had to be upgraded, and studies are now being undertaken which could result in a further upgrading, or even in a complete change of equipment supplier.

The success has been limited, however, to the notional long bond contract. The second contract traded on the Matif, a treasury bill future launched in June last year, has met a far cooler response.

Only 50,117 T-bill contracts were traded last year, an average of *380* a day. Three exchange members alone accounted for 55 per cent of the turnover, while banks did 87 per cent of the business—in contrast to the long bond contract, where stockbrokers are dominant.

Turnover has grown rapidly and Paris now rivals London's Liffe in volumes traded on its main long bond contracts

Mr de la Martiniere believes that the T-bill contract will *finally take off in 1987*, helped by the appointment, by the French finance ministry, of 13 primary dealers in the underlying cash market.

"We moved too soon for the underlying developments. You cannot have a successful futures market when there is no underlying cash market," he said.

He points out that even the Bank of France runs into difficulties when it tries to buy T-bills in large quantities.

The Matif is now seeking to *add more foreign institutions* to its largely French membership.

For the planned Ecu contract, in particular, to be successful, the Matif will need a wider circle than the three or four French banks that are active in the unit. Exchange officials believe it is essential to sign up the Italian, Dutch and Belgian banks which are most prominent in Ecu dealing.

The relationship between the banks and the *agents de change* remains however, occasionally difficult. Mr de la Martiniere says that the council of the CCIFP has so far always managed to reach agreement, but that there have been moments of tension.

The banks resent, in particular, the stranglehold of the *agents de change* over the under-*lying bond market in which they* must unwind their positions, as well as the poaching of key dealers by *agents de change who* can offer a more attractive, commission-linked package than the rigid pay grids that are still the norm in the French banking system.

The tension has broken through to the surface in a little row over whether options on the stock exchange index should be traded on the Matif or on the stock exchange itself.

The dealers on the Matif floor, however, are confident that the tensions between their respective employers wil not prevent them from further rapid increases in turnover this year.

George Graham

Hong Kong

New contracts started

DR KIM CHAM is in no doubt that the fledgling Hong Kong *Futures Exchange, of which he* is chairman, is quickly establishing itself as a pillar of the *financial community*.

His confidence is built on the rapid growth in trading since the metamorphic rebirth of the exchange into a financial futures market last May, when trading in Hang Seng Index (HSI) futures was introduced. Previously the exchange had traded only commodity futures.

Trading in HSI futures has rocketed from a first-month daily average of 1,635 contracts to nearly 10,000 in January. In value terms, futures trading has increased an astronomic tenfold over the same period, aided by a 55 per cent growth on the stock idex. Daily turnover in futures, at some HK$1.4bn, now roughly matches that on the stock market.

The contract is based on HK$50 per cent index point, which means it is currently worth around HK$140,000 (the index now stands at roughly 2,800). The minimum margin on contracts required from customers was, in January, increased to HK$12,000 from HK$10,000.

So successful have HSI futures been that the HKFE is on the verge of introducing a set of new contracts. First of those, and approved in principle by government, will be a HK$ interest-rate futures on 90-day time deposits, probably by August. A unit contract price of HK$14.67 for an 0.01 per cent interest rate movement has been proposed to the territory's regulatory authorities.

Also under consideration is a Eurodollar interest rate contract, and US dollar-yen and US dollar-Deutschemark currency futures. A firm timetable for their introduction has not been set.

Some HSI futures traders would like to see contracts for *the finance, commercial* and industrial, utilities, and property sub-indexes. "I think that *would be very sexy," says* Michael Tong, managing director of Chin Tung Futures, a major local broker. The HKFE, however, says it is too busy with other matters to introduce these contracts in the near term.

The Hong Kong dollar interest-rate futures will follow shortly after the introduction of an associate membership category, also approved in principle by government and now awaiting the green light.

That will ease pressure on trading-floor space as associates will trade through floor members. Active members now total 109, up from 83 last May. The exchange will take up to 300 associate members.

The new contracts, like the new membership category, will diversify trading interest on the HKFE. The Hong Kong dollar interest-rate futures will appeal mainly to banks, but traders also expect institutions to use it to hedge funding requirements.

The *sharp growth of* HSI futures has been spurred by the pool of local investors ready to *take a punt on almost anything*. Hong Kong Chinese are notorious gamblers, and traders say *wealthy individuals are just as* willing to bet on the future direction of the stock market as they are on the first horse past the post at Happy Valley racecourse. These so-called speculators have supplied the liquidity that has slowly drawn institutions into the fray.

Brokers estimate that speculators accounted for 90 per cent of trading in the early days, with institutions weighing in with the remainder. Now it is closer to half-and-half, and with liquidity steadily increasing there could be further growth in favour of institutions.

Traders say institutional activity is mostly from the US, although an early shyness from *European and Australian fund* managers is slowly being overcome. Mr Tong says it is important that any investor in the Hong Kong market be aware of the fundamental changes in trading patterns caused by the introduction of HSI futures. He adds: "If they don't like it, they don't have to use it, but they have to pay attention to it."

Overall market liquidity has sharply increased since the introduction of HSI futures. Daily turnover on the stock market now frequently tops HK$1.5bn whereas in the middle of last year it averaged around HK$500m.

Brokers say the bullish but liquidity-conscious institutions are consequently pumping more money into Hong Kong stocks than would previously have been considered prudent. HSI futures have, in recent weeks, also given bullish investors the opportunity of entering the market at a discount to the actual index. Institutions were not slow to seize that opportunity, says brokers.

Kevin Hamlin

The Japanese market

Continued from Page 5

bond contract, however, because of an alternative approach to accrued interest *and tax liabilities*.

Regulatory problems have also delayed the launch of a *stock index futures contract in* Japan. At present, such an equity-based contract is ruled out by securities law, though there are hopes that the Diet may implement legislative changes early next year.

But the Osaka Stock Exchange is hoping to get its nose in front by launching a quasi-stock index futures contract in April, *this being based on a parcel of* 50 stocks rather than an index.

Delivery of stocks, rather than cash, will enable the Osaka *Exchange to side-step the law*, but of course the hedging value of the parcel will not be so great *as with a genuine, broadly*-based index.

The Tokyo Stock Exchange recognises that it will not be able to launch a stock index futures contract before summer 1988 at the earliest. But it is talking ambi'iously of basing the contract on an index of all 1,075 stocks listed on the TSE's first section, *rather than* narrower and perhaps more easily manipulated indices such *as the Nikkei* stock average with 225 constituents.

Such a development will require not only amendments to *the Securities and Exchange* law, but also a review of the regulations on institutional *investors and various* practical *steps to* establish accounting systems and market the contract to private investors.

In this and other aspects of the financial futures market, the Japanese financial community is pressing ahead, *because an active futures sector* is seen as an essential element if Tokyo is to take its proper place in the rapidly developing global market in securities.

Barry Riley

The Netherlands

Exchange answers its critics

AT FIRST glance the European Options Exchange (EOE) appears healthier than ever. Trading volume continues to rise steadily, new contracts are being added, and the exchange is moving into bigger, more modern premises.

But beneath the surface lurk problems. Although "European" in name, the options exchange has never achieved the international position originally envisaged. The Amsterdam-based EOE has trading ties with three other bourses around the world, but has failed to keep pace with the proliferation in these global links. Some critics also charge that the options exchange has become too speculative.

Certain successes are clear, nevertheless. Volume is one. It has risen every year since the EOE was launched in 1978, and surged more than 40 per cent to Fl 10m contracts last year from 7m in 1985. Average daily turnover jumped to 39,000 contracts in 1986 from 28,000 the year before. Open interest currently stands at 920,000 contracts, compared with 814,000 at the end of last year.

If the price of an exchange seat is any measure of success, then the EOE has something to boast about. They now sell for more than Fl 400,000, which is 16 times the original price.

Mr Tjerk Westerterp, the driving force behind the EOE, also has endeavoured to keep the listed contracts attractive and up to date. In today's fast and fickle markets, that isn't always easy. Last year the exchange was caught off guard by the quick popularity of long-term, over-the-counter options offered by a brokerage firm.

The EOE soon responded with its own listed long-term (up to five years) options on Dutch stocks and government bonds. Moreover, short-term options (one- and two-month) on the dollar/guilder contract give investors more flexibility in maturity dates.

Another unpleasant surprise came recently when options-exchange market makers rebuffed the new EOE stock-index option on the grounds that no suitable underlying security was available. The exchange had figured that a new EOE Dutch Stock Fund would offer an appropriate underlying security for hedging purposes. But market makers argued that the fund consists of 246 stocks, while the index option covers only 20.

The exchange has gone back to the drawing board to find a way to satisfy the critics and still to save its venerable index option, which originally was launched three years ago but suspended when legal questions were raised about cash settlement. All index options are settled in cash, because of difficulty in delivering a basket of securities, but some legal experts felt this bordered on gambling.

After the Dutch parliament had cleared the way for cash settlement last year, the EOE was eager to bring back the index option, which would have been the first such contract outside the US. Now it's doubtful whether Amsterdam can make that claim.

The European Options Exchange grew so quickly that it became evident, a couple of years ago, that a larger trading floor and greater computer capacity were needed to keep pace with business. A new EOE building has been constructed near Dam Square in the heart of Amsterdam, and trading on the highly automated floor will begin next week.

The modern facilities will double the average daily capacity to 200,000 contracts a day, and ensure a peak capacity of 500,000. The minutes between execution of a deal and posting of the price will be further trimmed. Hundreds of video display terminals scattered about the trading floor will show the latest prices and dealing information.

The EOE, however, still faces obstacles. One of those is its limited appeal. The options exchange has gradually dropped all its contracts on foreign stocks that were featured in the beginning and justified "European" in the name. Options on foreign currencies, other than the dollar/guilder contract, have generally done poorly, including the initially highly-touted one on the European Currency Unit (Ecu). The most popular options by far are those on Dutch shares followed by Dutch government bonds.

Attracting more foreign and institutional investors also remains difficult. Only 20-30 per cent of business comes from abroad; and, of the rest, a significant number are private individuals, according to market participants (the EOE doesn't break out foreign investors).

Gold and silver options were supposed to be a major drawing card for the EOE, but they still lag far behind stocks and bonds. In the early 1980s the Amsterdam exchange forged trading links with the Montreal, Vancouver and Sydney stock exchanges, to allow 18½-hour dealing in the same gold and silver options. A relatively small number of trades actually flow from Sydney into Amsterdam, or onward to Montreal, but Mr Westerterp is confident that the volume will expand and that global links are essential for the future.

While the EOE and its parters were the first in the world to create nearly round-the-clock dealing in precious metal options, the Amsterdam exchange has failed to establish fresh ties to promote trade. New links are abounding, and those such as the agreement between the London and Philadelphia stock exchanges for options trading threaten to leave Amsterdam out in the cold.

Nevertheless, the EOE is marching ahead with fresh initiatives. An option on the Major Market Index (MMI) of the US is to be introduced before July, offering investors the chance to participate in an index of blue chip American stocks similar to the Dow Jones Industrial Average.

A new energy options exchange is to be launched in Rotterdam in May, with almost all its financial backing from the EOE.

A financial futures market is also being launched in Amsterdam in April by the EOE. The initial listing will be an interest-rate futures contract on an index of five Dutch government bonds.

Laura Raun

The European Options Exchange, in Amsterdam, grew so quickly that it is moving to a new building

Australia

Sydney sheds the casino image

AUSTRALIA'S FUTURES and options markets have used the past few years of financial deregulation to work themselves into a unique position in the world securities scene.

And of all Australia's booming bourses, options and futures are unique in giving real meaning to that often misused and overworked word—globalisation.

Both markets have developed international links, allowing round-the-clock trading in a range of options and futures contracts, a facility not available in many other countries. And, to round off the appeal, Australia has become the only country in the world which allows futures trading in individual stocks.

The Australian options market started the international trend in 1985 when it joined a select group of overseas markets linking together as the international options exchange. The move was designed to take full advantage of Australia's time zone, strategically placed between North America and Europe, creating a virtual round-the-clock trading facility. It links the European Options Exchange, in Amsterdam, the Vancouver Stock Exchange and the Montreal exchange, and offers trading in Sydney in three contracts: gold, silver and US-Australian dollars.

The key investor attraction in the international options market is its removal of the currency exposure in trading options on precious metals. Physical gold and gold options contracts are generally denominated in US dollars, so investors in Australia, Canada and Holland require a native currency contract to avoid a currency risk.

The Australian options market also offers locally-based trading in options on more than 20 leading stocks, plus the leading Australian stock indicator, the All Ordinaries index.

Trading in options is booming. Contract ends traded domestically jumped from 2.4m to 3.2m in 1986, lifting the traded value from A$607m to A$828.9m. And 1987 has started at an even faster pace, with 505,674 contract ends traded in January alone, worth A$177.6m.

In the international options market, precious metal contract ends traded doubled in 1986 to 666,442, while currency options traded were static at just over 1m contract ends.

But if options trading has been impressive, the ascendancy of the Sydney Bourse (SFE) has been nothing less than extraordinary. The exchange, which has in the past few years shaken off a casino reputation to emerge as part of the financial establishment, consistently hosts daily trading in contracts with an underlying value of a staggering A$12bn.

Volumes have increased almost exponentially in recent years. The number of contracts traded in January 1987, at 343,860, was more than twice that of the previous January, and the exchange's third best trading month ever. The exchange is now the second most active futures base outside North America, topped only by London.

The SFE's big strategic move during 1986 was to follow the options market in going international, forging links with the London Financial Futures Exchange (Liffe) and New York's Comex. But this has so far proved a disappointment.

The SFE's grand plan was to fill the Europe-North America time gap and create a round-the-clock market. It launched a US dollar and Treasury bond contract linked with Liffe, and a US dollar gold contract linked with Chicago.

But the financial contracts have so far failed to attract vital support from Japan; and, while the market is crazy about Australian gold stocks, traders are not so interested in gold futures. However, SFE chief executive Mr Les Hoskins says the important point is that the infrastructure is in place, and, that, while action so far has been slack, the potential remains strong.

Lest Sydney should steal all the running, its arch financial rival Melbourne has launched the Australia Financial Futures Market which, as indicated, offers the world's only futures contracts on individual stocks.

The AFFMS stock contracts are based on the shares of nine leading Australian stocks, and the market also offers an Australian leaders portfolio contract based on a portfolio of leading stocks.

While trading on the AFFM has been slow to accelerate, all of Australia's futures and options markets are beginning to feed off each other, with a growing proportioin of throughput reflecting arbitraging between markets. With the physical stock market roaring and the authorities moving to align contract and option closing dates, this area of trading may well be the feature of 1987.

Bruce Jacques

New Zealand

Computer dealing shows its value

THE NEW ZEALAND futures exchange is unique in that it has no trading floor or dealer pits. Instead its 17 members (who are all shareholders) are linked by computer in an automatic trading system.

Each contract has a page in the computer. Dealers in cities and towns throughout New Zealand punch in their buying or selling offer. When a buy bid matches a corresponding sell offer, the computer automatically carries through the transaction in a split second, does all the paperwork and provides each dealer with a daily printout of their business.

If there is no matching offer listed, the broker's bid remains in the computer until it attracts a matching offer or is withdrawn.

The ATS is quick, provides security to dealers, reduces their paperwork and provides a clean trail of each transaction. It is also extremely economical. This is important in New Zealand's relatively small market.

When the exchange introduced a new contract on Barclay share index futures in January this year, all it required to do was list another page in the computer "We did not have to instal another pit or build a new wing on the building," says Mr Len Ward, director of the exchange, the man mainly responsible for introducing a futures exchange into New Zealand in January 1985.

Last year the exchange dealt in 149,000 transactions worth NZ$17.3bn, up from NZ$10.8bn the previous year. When the exchange opened in 1985 the estimate for the first year's business was NZ$1.5bn.

The major reason for the much higher-than-anticipated volume of transactions was that the opening of the futures exchange coincided with the deregulation of the New Zealand financial sector. The exchange offered financial institutions the opportunity to hedge against the high and volatile currency and interest rates that followed the freeing of financial controls.

The first futures handled by the exchange were in wool. Now it offers commodity, currency, interest rates and share price futures, the latest of these, the Barclays share price index future, started in January this year and has been an immediate success.

Its popularity was probably encouraged by the boom in the New Zealand share market over the previous two years, and the phenomenal interest that this created, especially among thousands of new investors attracted to the share market for the first time.

The introduction of the share index future also coincided with a sharp drop in share prices, and this too has helped to increase trading volume. Within a few weeks the share futures market has become a major contract. Although most participants are the large financial institutions, there are also a number of small speculators.

Recently the exchange opened an information centre in the Auckland business sector. This was somewhat an equivalent to the public viewing floor at a stock exchange. In addition to general information and videos explaining the operations of a futures market, the centre — named "the kerb" — also has a futures information screen linked directly to the master computer. This shows every bid and every transaction as it goes through.

At least 25 members of the public now sit, day after day from 9 am to 4 pm, intently studying price movements as the various futures contracts are negotiated. They use the free telephones provided to contact their brokers with sell or buy future instructions.

Those operating the exchange believe there is still scope for growth, particularly among the corporate business sector. Most of the action in futures trading has come from financial institutions trying to safeguard their operations.

The 17 original foundation members of the exchange each contributed NZ$60,000. A new dealer can only become linked to the exchange by buying out one of the 17 operators. Only a few have sold — the most recent price for a transfer is said to have been NZ$120,000.

New Zealand's screen trading futures exchange has attracted considerable overseas interest in just two years, and has shown itself to be efficient and extremely suitable for New Zealand conditions.

Dai Hayward

Canadian markets

Pension boost to expansion hopes

FINANCIAL INSTITUTIONS with an eye for the gap are taking advantage of booming Canadian stock and bond markets to broaden the country's fledgling options and futures sector.

Spurred by the aggressive Toronto securities firm Gordon Capital, Canadians are dipping their toes into programme trading, which has contributed to the boom in the US stock options and futures market.

Several securities firms have made handsome profits by trading options for their own account, while mortgage lenders have begun using bond options to offset risks on their mortgage exposure. An options and futures society has been formed in Toronto as part of efforts to stimulate interest further.

In addition, the number of Canadian mutual funds specialising in options is steadily growing. One of the most popular, the Canada Income Plus Fund, managed by Guardian Capital of Toronto, has attracted C$100m for each of two closed-end investment trusts. A feature of the fund is a guarantee by Citibank's Canadian subsidiary to repay investors initial capital.

Hopes for further expansion of the options and futures market were given a boost last year when, mainly at the urging of a group of big pension funds and the three year-old Toronto Futures Exchange, the Pension Commission of Ontario set out relatively liberal guidelines for pension fund investment in these instruments. In essence, the commission advises funds to apply the same yardsticks used for the underlying securities.

The biggest obstacle to growth is the limited liquidity of Canadian markets. The pension fund of Imperial Oil, Exxon's Canadian subsidiary, has an index futures trading programme in the US, but in Canada trades only sporadically in individual equity options, such as Alcan. The fund's investment manager, Mr Bill Hewitt, says that "The markets here don't have the depth and breadth of those in the US."

On the other hand, Mr Ken Knowles, manager for institutional options and futures at Dominion Securities Pitfield, says that the Canadian market "Has a lot of potential to grow." Mr Knowles predicts that the arrival of foreign securities dealers in Toronto, when ownership rules in the domestic industry are relaxed later this year, will be a tonic for local options and futures trading.

Recent volumes reflect mounting interest. The number of options contracts traded on the Toronto Stock Exchange (including around 40 equity contracts) rose from 2.35m in 1985 to 2.6m last year.

Volumes in the TSE 300 Composite Index contract shot up by 45 per cent in 1986, while trading in similar futures contracts offered by the Toronto Futures Exchange almost trebled.

On the Montreal Exchange, which claims to account for four-fifths of trading in Canadian interest rate options, volumes in a 2001 Government of Canada bond contract grew by 20 per cent last year. Even the ME's moribund Canadian dollar contract has come to life in the past two months as the Currency gas shown unexpected strength.

Another encouraging sign is the growing interest in seats on the TSE. Only about 25 "locals" are currently active, but attendance at the exchange's monthly recruiting seminars has risen sharply. According to TFE general manager Mr Andrew Clameneos, "the last few have been standing room only."


Options contracts traded on the Toronto Stock Exchange rose last year, and an options and futures society has been launched to stimulate interest.

The price of a TSE seat plummeted when the exchange started to charge membership dues a year after it opened. Seats changed hands for as little as C$2,000 apiece, compared with the issue price of C$6,500. But prices have subsequently edged back up to C$3,300.

Searching for popular new products plays an important part in the exchanges' efforts to promote their options and futures markets. To avoid spreading the domestic market too thinly, the three Canadian Exchanges use a weighted lottery system to allocate indigenous Canadian options contracts among themselves.

The TSE's options marketing director, Mr Brian Noble, says that "our prime goal is to ensure that our equity index products gets the maximum exposure." Toronto is working on a new options contract to be based in some way on Canadian gold mines equities. Similarly, the futures exchange is looking at contracts based on a narrower index than the TSE 300, which would exclude stocks seldom traded by institutions.

The Montreal and Vancouver Exchanges are members of the International Options Clearing Corporation (IOCC) with Sydney and Amsterdam. The IOCC is examining the feasibility of a platinum contract.

Bernard Simon

Fund managers

Stimulus of a large market

THE USE of futures and options for managing risk in a portfolio has been one of the most striking developments in fund management in recent years.

UK fund managers have lagged behind their US counterparts, however, in the adoption of these techniques, held back by legal and tax problems, and by limitations laid down in their funds' own articles.

Pension fund managers have often found it difficult to persuade their more conservative trustees that they should be using derivative products. Unit trusts, meanwhile, are still subject to severe limitations under current legislation.

Nevertheless, there has been an acceleration in UK fund managers' use of futures and options over the past few years. This has partly been a function of their increased exposure to the international markets, which has enhanced the need to use them as hedging instruments.

Partly, it has reflected the deepening of the London markets in derivative products. An additional boost to this has been provided by the changes associated with Big Bang. The enlarged marketplace has enhanced market makers' need to use futures and options, both to hedge their exposure, and to generate commission income and trading profits. This in turn has created a more liquid market for the fund managers.

The market in individual share options seems to have been the chief beneficiary of Big Bang. One fund manager says that concern about the liqiudity of this market has virtually disappeared under the impact of the lively activity of the widened group of equity market makers.

Some fund managers still consider bid-offer spreads on options off-puttingly wide, though these do seem to have narrowed to some extent in the last few months. The alteration may not be visible, as the options market remains trading floor-based. Market makers will deal on narrower spreads than they are brave enough to display on the dealing screens.

Equity fund managers are interested mainly in the options market for the purpose of writing individual share options, in order to receive the premium income.

Gilt fund managers, on the other hand, tend to regard writing options as a peripheral activity, and focus mostly on the futures market. The main use they will make of the futures is for switching between gilts of different maturities.

For instance, pension fund managers have to match the duration of their portfolios with that of their liabilities, so they need to keep a given proportion of the portfolio at the longer end of the gilt yield curve.

If better yields are available among the shorter gilts, however, they may use the futures to take advantage of this. In this case, they may buy the shorter stocks, and also the longer-dated futures, thus keeping the overall duration of the portfolio in the same position.

Gilt fund managers do not have to worry about the liquidity of the futures market, which has made great strides over the last few years. Last year, for instance, the volume of long gilt futures on the London International Financial Futures Exchange showed a 282 per cent increase to 2.61m contracts over the year, worth a total of £130.6bn. The enlarged number of market makers since Big Bang is keeping volume well up this year.

But Big Bang has had an unhelpful side, too, from the fund managers' point of view. Opportunities to arbitrage between the futures market and the cash gilt market have been on the wane, because the market makers' increased enthusiasm for hedging their positions means that discrepancies between the two are becoming harder to find.

In multi-currency funds, futures will generally be used for hedging purposes. The prolonged decline of the dollar, for instance, has meant that fund managers who want to achieve an exposure to the US dollar bond market, but are wary of the currency, have been hedging their positions through the futures and options market into the Deutsche Mark and yen.

The contracts that have generally disappointed expectations have been those on the FT-SE 100 Index. There is an option on the FT-SE Index available on the Stock Exchange, and both futures and options based on the Index are available on Liffe.

It was hoped that, after a laggardly start, Big Bang would boost their use, because market makers would see them as a hedge for their larger equity positions. But they have not generally been seiged upon as hedging or fine-tuning instruments.

Nevertheless, UK international fund managers have been using the stock index futures increasingly for switching between markets. A fund that wishes to move into the US stock market may buy the future on the Standard & Poor's 500 first, to obtain the exposure, and worry about share picking later.

Institutions like Foreign and Colonial have been activiely promoting funds, which must, under current rules, be based offshore, to invest in the indices on world stock markets. These enable the investor to track the stock market while, at the same time, receiving an income in line with money-market rates.

In this case the fund manager will use part of the fund to buy the index futures contract, and then invest the rest of the available cash in floating-rate notes, or another money-market instrument, to achieve a slightly higher interest rate than that implied in the price of the futures contract.

The advantage of investing in the indices "passive fund management" is that the costs are lower than dealing in individual shares.

The freedom to use the derivative markets—enjoyed by the pension funds—varies, depending on the open-mindedness of their trustees. Many are still forbidden to use the options market.

Unit trust managers, meanwhile, suffer limitations, because many of the products now available had not been invented when the rules governing what they might do were drawn up in the early 1980s.

This means that they are still not allowed to write put options—the main thorn in their sides—or to use futures, or indexed products. The Association for Futures Investment, a lobbying body, is currently pressing for limitations like these to be removed.

The future freedom of the unit trusts hinges on the final drafting of the Financial Services Bill, although the current consultative document, "The Regulation of Authorised Unit Trust Schemes," suggests their scope may be considerably widened.

Clare Pearson

Securities houses

Innovators to cut global risk

THE INTERNATIONAL use of futures and options as a tool for investing in global stock and bond markets is still relatively rare. Some key markets continue to lack effective and liquid instruments, while demand from investors, particularly in the US, is limited as they continue to concentrate on their home turf.

The next five years, though, are likely to see a wave of innovation as investors seek the same opportunities abroad, to hedge and otherwise manage their risks, as they have come to enjoy on the domestic front. It sometimes takes even seasoned professionals by surprise to remember that the Standard & Poor's 500 stock index future, by far the most popular such instrument, celebrates only its fifth birthday this year.

Although the US would see a host of new products, international instruments were the new wave, said a futures and options strategist for a leading Wall Street firm. Stock index futures in foreign markets, for example, would allow investors speedily and cheaply to allocate funds to countries they favour. "As investors become more educated about hedging and speculating, the pressure to develop new products will grow exponentially," concurred a second strategist, Mr Richard Bookstaber, a Morgan Stanley principal.

Successful use of futures an options, even in the relatively less complicated domestic arena, hinges on high-powered mathematical analysis to determine the optimum strategy. Going international brings additional complexities, such as currencies, which many firms are learning to deal with.

"We trade anything on any exchange—stock index futures, futures and options on currencies, stocks and bonds," said Mr Steven Wunsch, of Kidder Peabody's financial futures department.

Although firms are directing such effort to their clients, many are also doing it for their own accounts. Globalisation of securities markets is exposing them to risks on a 24-hour basis, which is most easily handled by passing their books on from one trading centre to the next as the day progresses. But international futures and options give them the opportunity for more sophisticated reduction of risk, with a chance of additional profit. Firms are generally very reticent about discussing the proprietorial uses to which they are putting the instruments.

An incomplete arsenal remains the greatest constraint. On stock index futures, for example, no instrument abroad matches the liquidity and maturity of the S & P 500, which traded 20m contracts last year. Far behind came the Hang Seng, in Hong Kong, with 850,000, Sydney's All Ordinaries at 500,000, and London's FT-SE 100 with 121,000.

A crucial gap in equities trading is a Japanese hedge. A partial solution came late last year, when Singapore began trading the Nikkei 225 index of Japanese stocks which accelerated rapidly to the annual equivalent of 100,000 contracts.

In Japan itself, the Osaka exchange is about to launch a 50-stock futures contract, and the Tokyo Stock Exchange is working on a broader contract, although eager users may have to wait another year for it.

US exchanges are trying to meet the need for international instruments by setting up foreign links. The Chicago Mercantile Exchange, home of the S&P 500 index futures contract, hopes to begin trading the Nikkei 225 contract in Chicago later this year. It hopes to make trading fully fungible, so that a contract bought in Singapore could be sold in Chicago and vice-versa, as some of its currency contracts already are. "The order flow from the US to Singapore for the Nikkei 225 is beginning to pick up," said Mr William Brodsky, President of the Merc.

Similarly, the American Stock Exchange hopes its Major Market Index of 20 blue chip US stocks will begin fungible trading on the European Options Exchange, in Amsterdam, in the second or third quarter of this year for the benefit of European investors.

Until the products are in place, securities firms continue to lay off most of their risks in more traditional ways. "Derivative instruments are over publicised," said Mr Tom Burnett, head of international equity trading at Merrill Lynch. "They are not used by US trading firms in any major way."

Merrill Lynch is adept at using its worldwide equities research and trading network to facilitate large portfolio trades without covering with futures. In a recent typical example, a US institution wanted to sell $50m of foreign stocks and buy $30m of a different mix with some 10 currencies involved in the trading. To complicate matters, the client indicated as usual in such portfolio trades only the countries and sectors, while the terms of the deal were negotiated. The individual stocks are revealed only to the successful broker, so the unsuccessful bidders cannot trade to their own advantage.

With the advent of a full range of derivative instruments, the number and size of international portfolio transactions will grow enormously. The desire of US pension funds, one of the largest pools of capital in the world, to use the instruments was shown recently in a survey by Greenwich Associates, a Connecticut consultant.

Of 1,000 managers of large pension funds questioned, only 6 per cent were using financial futures and options in some form of portfolio insurance, but a further 11 per cent said they would start using such instruments this year.

Just as the instruments have allowed fund managers to take more comfortably larger positions in domestic equities and to manage their portfolios more actively, the same investment tools should bring equal benefits in the international arena.

Roderick Oram

Locals: London

Taking a chance on Liffe

"LOCALS ARE individuals who want to take a chance," says Mr Guy Whittle, who joined the ranks of the traders who work for themselves on the floor of the London International Financial Futures Exchange (Liffe) 3½ years ago.

One thing they have been finding tiresome lately is being interviewed by journalists for "East End boy makes millions"-type stories. Apart from the fact that dodging the marauding camera crews who descend on the floor gets in the way of a day's trading, Mr Whittle says most tales of the riches they amass are considerably exaggerated.

"I should think most locals make under half what a good market maker who works for a company can get," he says. "After all, you have to call the market right about 70 per cent of the time to make any money at all."

But it was not always so. In September 1983—before preparations for the Big Bang reorganisation had sent City salaries spiralling upwards—Mr Whittle, now 28, ceased working for Akroyd & Smithers, the jobbing firm, to go it alone. It was, he says, the only way he could significantly increase his earnings.

It was a question of temperament, too. As a foreign student, reading Business and Economics at the University of Western Ontario, he had caught the bug for dealing in futures from fellow students who dabbled in the Chicago market to help pay their way through college.

On his return to England, his first job in banking struck him as boring by comparison. After he had started to deal in futures at Akroyds, he did not need much persuading that the pioneering locals who stood close to him on the floor of Liffe were having more fun working for themselves.

"But it was taking quite a risk," he says. "Liffe had only been open for a year and volumes were very low."

The locals are there to aid the liquidity of the market, which they do by dealing for themselves and for other exchange members, and in some cases for customers too.

But to handle orders for non-member customers, a local needs to show a net worth of £100,000, and must have sound administrative systems. It is only practicable for locals to carry out this type of business if they club together.

The minimum qualification to become a local is a net worth of only £25,000, though a local also needs to have a clearing member who is worth more than £1m to guarantee his trades.

The most prohibitive entry qualification is the cost of a seat, which has risen steeply in the last 18 months and now stands at around £150,000. Like many other locals, Mr Whittle uses a seat designated to him by a member company which is responsible for his business activities, thus keeping his overheads down to between £10,000 and £20,000 per year.

The great attraction of the local's life is that he can choose how to approach his job.

Mr Whittle confines himself to the market he feels most comfortable with—gilt futures. He has not diversified into gilt options yet, for he says that the costs are still too high and the market has not been volatile enough lately to justify the costs.

Mr Guy Whittle: most comfortable with gilt futures.

In general terms, his policy is to keep his dealing costs down by taking up positions, rather than constantly turning the contracts over. This means that, depending on the market, he will turn over between 30 and 200 contracts a day.

But even the less frenetic type of local like Mr Whittle has to be on his toes all the time the floor is open (between 9 am and 4.15 pm in the gilt market) in order to respond minute-by-minute to the constantly moving market.

Mr Whittle will generally start the day with a broad plan of action, but be prepared to revise it. If a gilt tap stock is to be announced, he will chat to the stockbrokers before the market opens, to get a feel for where the price of the corresponding futures contract will be.

Apart from the taps, the busiest moments are when US and UK economic figures are announced, and the opening and the close. There should be a lull around mid-morning, although this has become less usual since Big Bang brought more players—and especially the Americans—into the gilt market. No local would contemplate a lunch hour of longer than half-an-hour.

The job takes a physical toll, too. Locals, after all, stand up and shout all day, and coughs and colds are easily transmissible on the floor.

Ten years is the upper limit on a local's trading life, Mr Whittle reckons. Afterwards, some become clearers for other people's trades, and some sell-off the private-client business they have accumulated. Getting a job outside the market can be difficult, since an ex-local has no management experience at all.

Many, he says, are hoping to retire—and this puts an additional strain on them to make a success of their trading during the short time they're doing it.

Clare Pearson

Locals: Chicago

A breed that bolsters liquidity

FIRST-TIME visitors to the major Chicago exchanges are usually struck by the sheer rowdiness of futures and options trading US-style.

On a busy day, the biggest pits are a seething mass of screaming, gesticulating bodies. In the windy city, the world of high finance is no place for the faint-hearted.

While this highly-charged and frenetic environment is perhaps an inevitable consequence of the huge volumes being traded, it is partly too the legacy of the city's indomitable "locals."

Locals are a breed peculiar to the futures and options markets and, in many ways, the lifeblood of the open outcry trading system.

They are the risk-takers, the individuals trading on their own account who bolster liquidity in the markets where they congregate, effectively smoothing potential price dislocations and, ideally, enabling other participants, such as trade hedgers, to change their exposure at will.

The teeming pits of Chicago have traditionally been their happiest hunting ground. Between 2,500 and 3,000 locals are currently thought to be operating in the city, accounting in some pits for up to 50 per cent of trades.

As out-and-out speculators, locals are entirely dependent upon price fluctuation to generate profit—although, in practice, some floor brokers also trade on their own account to supplement their other income.

Various techniques are employed, of which "scalping" and "spreading" are perhaps the most tried and trusted. A scalper relies on his experience to sense an increase in buying or selling pressure, before it fully develops, and trades accordingly. His interest is essentially short-term. A spreader is an arbitrager who tries to cash in on abnormal price discrepancies between different contract delivery months or different, but related, commodities. The T-bill and Eurodollar contracts at the Chicago Mercantile Exchange (the so-called Ted spread) and the Chicago Board of Trade's soya bean complex are two particularly popular areas for spreaders to exploit.

Some locals take a longer-term view, gambling on the general direction of a market and reaping their reward anything from a day to years later. They are known as "day traders" or "position traders."

While a high proportion of locals continue to hug the pits, the advent of high technology has prompted an increase in the number of back-office traders. This opportunistic breed typically uses electronic hardware to keep tabs on a number of markets, venturing into the pits only to fine-tune their current position. "On the floor you have to concentrate too much on just one pit," says Mr Gil Vanderra, a proponent of the office trading method. "I think, by and large, the big money is being made in the offices. Scalping makes for a hard living."

And it is getting ever harder, by all accounts. While most locals make no bones that the prospect of getting rich is one of the prime motivating factors (the near total lack of bureaucracy is another), the improving efficiency of the markets has had a heavy impact on the amount of easy money to be made. "It is requiring a much better trader to be successful than a while back," says Mr Alan Mitchell, a former lawyer turned CME local.

The principal reason for this may be summed up in one word: computers. What is a vital tool for the growing band of back-office traders (particularly those dealing in options)—has become the bane of the traditional pit trader's existence. "In the 1970s there were riskless arbitrage profits to be made because the banks weren't allowed to do it," recalls one seasoned market observer. "Now computers click in whenever the markets get out of step."

This has turned some locals into latterday Luddites, suspicious of any proposed change that smacks of greater automation. A CBOT experiment with headsets, enabling brokers' assistants to communicate with brokerage firm telephone booths outside the pit, was last year tarred with precisely this brush.

"Nobody in the pit wants it," one concerned trader reportedly said at the time. "The more efficient trading becomes, the less opportunity there is to make money."

But if the serried ranks of upmarket German cars in the CME's underground car park are a fair indication, there remains enough opportunity to keep the more proficient traders in clover for a good while yet.

These may not be vintage years for the average Chicago local. But projections of the breed's impending demise are almost certainly premature.

The growing maturity and efficiency of the markets will probably cause the number of pit-hugging scalpers to continue to decline. But computer literacy among locals is on the increase.

"Before computers, I'd have needed two or three people to produce all the charts I need," says Mr Vanderaa. For many of those prepared to use, rather than fight, technological advances, a career in the pits should continue to yield a most acceptable return.

David Owen

Swaps

A worldwide stratagem

THE SWAPS market, once considered the arcane preserve of a few whizzkid bankers with MBAs, is now a worldwide phenomenon, which top corporations and investment institutions are as adept at exploiting as the best investment bankers.

Such is the flexibility of the technique that the corporate treasurer can now manage his liabilities on an almost continuous basis without the need for time-consuming refinancing, and the investment manager can construct a bond portfolio tailor-made to suit his views on the likely direction of interest rates, currencies and the yield curve.

A swap is simply an agreement whereby two or more parties agree to exchange interest payments or receipts. A company with fixed interest liabilities, for example, which feels that interest rates are due to fall might arrange a swap with a company with floating rate liabilities which feels that interest rates are due to rise. Each would agree to pay the other's interest payments; which came best out of the deal would depend on how interest rates eventually moved.

A swap might also be arranged because of the arbitrage possibilities created by the fact that investors in different countries tend to have varying perceptions of an issuer's credit risk. The classic example was an early swap between IBM and the World Bank.

Swiss investors had absorbed a lot of World Bank paper but were eager to buy the bonds of a top US corporation like IBM; in the US, however, the Bank had a better credit rating than the computer giant. Each agreed to borrow where its comparative advantage was greatest; the two then concluded a swap, with IBM ending up with a dollar, and the World Bank a Swiss franc, liability. The result was that both parties had borrowed more cheaply than they could have done if no swap had been arranged.

Swaps have come a long way from the early days of the IBM/World Bank deal, with the deals involving an increasing number of maturities, currencies and counterparties. On the interbank market, swaps traders can quote a fixed rate for a swap into six month Libor (London Interbank Offered Rate) as easily as a foreign exchange dealer can quote a rate for Deutschemarks against sterling.

Almost any currency can be used as a vehicle for obtaining cheap funds via a swap. In the Euromarket, for example, most bond issues denominated in Australian or New Zealand dollars will be accompanied by a swap via which the issuer will eventually obtain funding denominated in the currency of its choice.

The complexity of the deals arranged can be breathtaking. The UK Export Credits Guarantee Department concluded a programme in late 1986, arranged by Kleinwort Benson, which involved 47 different transactions worth around $2bn.

As swaps have increased in flexibility, so they have grown closer and closer to other risk management instruments like futures and options. A swaption, for example, gives the buyer the right, but not the obligation, to enter into an interest rate swap at a set rate during a defined future period. In return, the buyer pay the swaption writer a premium.

A swap is simply an agreement whereby two or more parties agree to exchange interest payments or receipts. Each will pay the other's interest payments.

A few years ago, the average corporate treasurer might read about such techniques with interest, but not take any action. Now they are much more sophisticated. "Top corporations use swaps as a means of interest rate risk management" explains Mark Blundell of County Nat West.

The growth in the interest rate cap market has added a further string to the treasurer's bow. A cap is an agreement whereby a bank guarantees to protect the borrower against an increase in interest rates above a certain level.

So, a corporation with borrowings split, say, 50/50 between fixed and floating can use the swaps markets to alter the mix of its borrowings if it changes its view on likely interest rate movements. If it believes rates are due to fall, then it increases the floating portion and vice versa.

"Borrowers are demanding more flexibility these days," says Mr Ian Elstein of Bank of America. "They want to be able to swap from fixed rate money into funding based on commercial paper rates rather than just on Libor." Not only do borrowers require swaps against new interest rate benchmarks, they also require swaps to match up to the complex structures of the bonds they issue.

"In the old days" explains Mr Yves de Balmann of Citicorp "you would arrange a swap for the full life of the issue or up to the first call date." (A call provision in a bond gives the issuer the right to redeem at an early date.) "But bonds nowadays have complicated call structures. Swaps have to be constructed to mirror exactly the provisions of the bond."

On the other side of the bond market, investors are increasingly appreciating the added value that swaps can bring to the investment portfolio. An asset swap involves an investor passing on the income stream from a bond to a counterparty and receiving income in a different form.

Investment banks are sophisticated enough to create so-called synthetic bonds. They spot bonds which appear cheap and therefore high-yielding and repackage them as an asset with a different payment structure.

"There's been a tremendous expansion in the asset swaps market" believes Mr Thomas Jasper of Salomon Brothers, "both in terms of size and the type of deal being offered."

An illustration of the new breed of asset swap recently came from Morgan Guaranty. In late February, it produced two issues — called Stars and Stripes — which repackaged a $1bn Denmark floating rate note. The swaps were into Deutschemarks and sterling respectively and offered investors a margin over Libor. The earlier bond had paid a margin under the Libid (London Interbank Bid) rate.

The terminology of swaps will no doubt expand as fast as the market itself. But now that it has reached the current level of liquidity and sophistication, it seems certain that a lot more treasurers and fund managers will have to learn the new jargon.

Philip Coggan

Forward Rate Agreements

A more flexible way to manage interest rates

CORPORATE TREASURERS have long been concerned to protect themselves against movements in interest and exchange rates. But most have not yet been ready to use the world's futures and options exchanges as vehicles for hedging those risks.

Perhaps they have felt uncomfortable with the speculative reputation of the exchanges; perhaps they have been discouraged by the margining system involved in futures; or perhaps they find the size and maturity dates of exchange-traded contracts too inflexible for their needs.

Whatever the reason, they have turned instead to the banks for instruments which will give them protection against interest and currency movements. And competition has forced banks to refine constantly the products on offer.

The earliest means of fixing an interest rate in advance was probably via a forward/forward agreement. If a company wanted to borrow for a six-month period in, say, six months time, then a bank would quote a rate in advance for the transaction. The borrower is sure of its interest risk; but the problem is that it is committed to borrowing the principal sum.

If the company is using a forward/forward to hedge an underlying transaction, then the result will be doubled lines of credit. To counter this problem, Forward Rate Agreements (FRAs') were developed as a more flexible means of interest rate management.

Under an FRA, a company agrees with a bank to borrow, or to lend, a set amount of capital at a stated interest rate for a given maturity, commencing in a few months time. In fact, the principal rarely changes hands. Instead, each party will agree to refund the other if interest rates fall above or below the agreed level.

Say a company wants to ensure that it pays no more than 10 per cent when one of its floating rate loans reaches a rollover point in six months time. It arranges a FRA with a bank for the same amount of principal as the underlying loan. When the rollover point occurs, if interest rates—usually measured by the London Interbank Borrowing Rate (Libor)—are above 10 per cent, the bank pays the company enough to compensate it for the interest differential. However, if rates fall below 10 per cent, the company must pay the bank the difference.

An FRA thus protects the borrower against the effects of a sharp rise in rates, but does not allow it to profit from a favourable movement. Another disadvantage of an FRA is that borrowers cannot just pick and choose the interest rate limit they want; instead the limit is set by the market.

Over-the-counter interest rate options (often called Interest Rate Guarantees, or IRGs) were designed to give borrowers that extra flexibility. In return for a premium, the option buyer has the right, but not the obligation, to fix interest rates at a given level for a given period in the future. The result is that borrowers have the chance to benefit from a favourable movement in rates.

However, many corporate treasurers are unhappy about paying upfront premiums. So a number of products have been developed which offer option-style benefits without the upfront cost.

Hambros have developed an instrument called a Fox (FRA with optional exit) which combines some of the virtues of both FRAS and options.

The company takes out an FRA at a less favourable rate than that prevailing in the market. At the same time, it arranges an exit rate at a more favourable level. If market rates fall below the exit rate, the company can cancel the contract and take advantage of the favourable market rate. The spread between the contract rate and the market rate is effectively the premium which the customer pays for the option to cancel the contract.

At the longer end of the market, FRAs and options tend to blend in with instruments like swaps and caps. "A long term swap can be seen, in theory, as a series of FRAs but based on an average rate," says Mr John Parker, a manager of the treasury marketing department of Hill Samuel.

Under a normal FRA, the party that agrees to fix the rate is, in effect, paying floating and receiving fixed — a classic interest-rate swap.

Similarly, a cap is essentially a series of options at a set rate. The first caps were set on bond issues; investors agreed to accept an upper limit to the coupon on a floating rate in return for a higher spread over Libor on the original issue. Some issues then sold the cap and used the income stream from the proceeds of the sale to reduce the effective cost of the issue.

Now caps are traded between banks, although not in the same volumes as options.

As the instruments become more sophisticated, borrowers can fix more than just the nominal rates of interest. The forward spread agreement, marketed by Hongkong and Shanghai Banking Corporation, allows a borrower to lock in the spread between interbank interest rates in two currencies.

If, for example, the spread between UK rates and US rates were 200 basis points, the bank might quote 190/201, meaning that a borrower who wanted protection against a widening spread could look in at 210 basis points. One who was worried about a narrowing spread could lock in at 190.

The currency markets have long had forward rates for those who wish to fix exchange rates in advance, and it seems that treasurers are now becoming more willing to embrace the currency option. But, just as in the interest rate market, banks have developed products to conquer treasurers' dislike of paying upfront premiums.

Citicorp have developed the cylinder option, which is essentially a refinement of a common trading strategy. The customer fixes an upper and lower band, between which it is prepared to accept currency fluctuations.

It then writes an option (agrees to sell currency) at the most favourable rates and buys an option at the least advantageous rate. Depending on the size of the band between the two rates, such an option would require no premium payment.

Philip Coggan

Mr John Barkshire: a new strategy on the way for ICCH

Clearing systems

Underpinning the market's liquidity

AN INTENSE debate is proceeding quietly in London over the future of the International Commodities Clearing House (ICCH).

Unlike the clearing houses for US futures markets, which are owned by exchanges, ICCH is independent of the exchanges and has been operated as a business aiming to clear many markets around the world—it clears, for example, an automated futures exchange in New Zealand.

Dissatisfaction has been growing, however, among ICCH's major customers, and particularly at the London International Financial Futures Exchange (Liffe).

Liffe has conducted several campaigns to reduce the costs of clearing through ICCH. It goes, however, far beyond that. There is a widespread belief at Liffe that ICCH's systems and structure are obsolete, and that it needs to be re-vamped to provide streamlined services which fit today's global markets.

Last year, the six banks which own ICCH were persuaded to install as chairman Mr John Barkshire, who was previously the founding chairman of Liffe and remains chairman of Mercantile House, the financial services group.

With the blessing of the Bank of England, which is concerned that there should be a strong and British clearing system at the heart of the London markets, he is conducting a fundamental review of ICCH. Everything—from ownership, to systems, to the services which ICCH provides—is subject to change; and so far it is difficult to do more than guess what the outcome will be.

Clearing is at the heart of the markets. In futures and options markets, the clearing house interposes itself as a principal in every trade. Each trader, knowing that he is dealing with the clearing house, feels assured that obligations to him will be met. Thus a sound clearing system underpins the liquidity of the market.

It also carries out many specific functions. Those of ICCH are more numerous—and probably cover more exchanges—than those of any similar organisation.

To begin with, ICCH provides a guarantee of performance by virtue of its ownership by banks. The guarantee is not explicit—it is simply assumed that the British banking system will stand by ICCH should it suffer a default greater than its capital. Despite this lack of formality, the guarantee function is probably the most important provided by ICCH, and it is thus central to any discussion of ownership of ICCH passing out of the banks' hands.

ICCH provides other banking services—for example, the collection of margin payments. It also clears and processes trades, enabling the calculation of positions, and therefore of margin requirements. In addition, it matches trades and arranges for delivery following the expiry of contracts. It can also carry out a surveillance function enabling investigation of trades and payments.

Some of these functions, such as trade matching and processing, can be and are carried out by some of its exchange customers themselves. They could probably do more. Increasingly, exchanges are looking at the cheapest and quickest ways of bringing services such as these—many of which do not involve complex computer systems—to their customers.

Then there are ICCH's foreign ventures, which range from the futures exchanges of Sydney and Hong Kong to the Paris Matif. Some in the London markets believe that these distract ICCH from what they see as its main purpose: to provide cheap services to them. Nevertheless, ICCH's international operations could prove useful if they can be converted into an interwined global network.

At present, however, the ICCH management is perceived to be stretched and lacking clear direction. There is also a growing morale problem which is likely to go deeper until Mr Barkshire determines the new strategy.

That strategy is likely to turn ICCH into more of a utility, providing cheap essential services to the members of the key London exchanges—Liffe, the London Commodity Exchange and the Stock Exchange—rather than a business designed to make profits for shareholders.

The general expectation is that the banks will relinquish their ownership, but perhaps continue to provide guarantee services in return for a fee. This, however, seems by no means certain.

Even less clear is who would take over the reins. The alternatives would appear to be the user exchanges, or those exchanges' clearing members. Since the latter would be far more cumbersome, ownership by exchanges would seem most logical. No exchange seems willing publicly to declare an interest, however. It is possible that some proposal could emerge from discreet talks now under way between Liffe and the Stock Exchange—which has an advanced clearing system in Talisman, already being expanded, as well as having a well-respected systems development staff.

The trend which made the need for changes at ICCH more urgent was that for links between exchanges, since clearing, rather than trading, function are really at the heart of such links. The trading floors remain independent, but a link between them is established through some common clearing mechanism.

When the London Stock Exchange proposed, two years ago, to establish a currency options link with the Philadelphia Stock Exchange, the first stumbling block was the differing clearing systems and cost structures of the two exchanges. The Philadelphia exchange is cleared by Options Clearing Corporation, which clears most US options markets—a high volume, low cost operation. The danger from London's point of view was that ICCH, which clears the smaller London traded options markets, would simply become a subsidiary of OCC as far as this link was concerned. There was even discussion of OCC buying ICCH.

These problems were ironed out eventually in a mutually acceptable arrangement, although the link is still not functional because of regulatory hurdles and a separate disagreement between the exchanges.

The need for a strong, cheap clearing house in London has been underlined, further however, by Liffe's plans for extensive links with the Chicago Board of Trade. Again, the heart of the link is clearing. The absence of a strong clearing body in London could produce a danger that Liffe, which prizes its independence, could become a subsidiary of its US partner.

A successful link, however, would cater for the needs of the firms which are the most important members of both futures exchanges. They would be able to offset positions held on one exchange against position held on another for margin purposes, allowing them to build up a global position at the minimum cost but with considerable oversight and surveillance.

Alexander Nicoll